



Month in Review

September 2019

The Month in Review identifies the latest movements and trends for property markets across Australia.

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Disclaimer

This publication presents a generalised overview regarding the state of Australian property markets using property market risk-ranking scales. It is not a guide to individual property assessments and should not be relied upon.

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The Out of Towners

How population movements are driving Australia's property markets

You've probably seen those infamous Spaghetti Western films.

A small, rural settlement with folk living a modest life. A saloon, sheriff and trading store lining the main street and people simply getting on with getting on... and then, a stranger rides into town. Suddenly, all hell breaks loose and the fabric of their quiet existence is ripped apart by the newcomer seeking justice.

I like watching some old-school Clint Eastwood, but in the modern world, the arrival of new residents to

blue-collar jobs. Affordability drivers are magnetic to lifestyle seekers such as the financially secure or retirees. Professional types chasing personal network opportunities will choose the nation's centres of commerce, while modern day business nomads will operate wherever there's a decent Wi-Fi connection.

This month, we've asked each and every Herron Todd White office to take a look at how movements among the population are effecting their communities and driving the demand for property.

Staying up to date about who is moving where can help you keep ahead on likely price changes in your areas of interest.

population centres is a cause for celebration, not mayhem. It should be particularly celebratory for property owners.

Whether it's a capital city or a regional township, opening up to visitors and new residents breathes a bit more life into your area's economy and often helps drive price growth and rental gains.

But the factors that bring in people and help them settle can vary as widely as our Aussie landscape. Major industries can see an increase in well-paid,

It's not just an analysis of where they're going, but where they're coming from as well.

One interesting element of the study is that the dominant demographic coming into your town might influence prices for a particular property type, so staying up to date about who is moving where can help you keep ahead on likely price changes in your areas of interest.

For our commercial readers, this month's topic is the office sector and we're dealing with the big



numbers in this September issue. Our team is dishing the info on the large transactions lighting up their radars, both sales and leases - multi-million dollar transactions that shift like monoliths through the office space and send waves of change in their wake. Dig deep into the commentary and you'll discover how these major deals affect the area.

Finally, it's rural time and we're keeping up with the theme from the commercial section. This month, our team is discussing the really large sales that are occurring across the nation. We're not just talking in terms of price - some of these properties are the size of a small nation. It's a head-turning array of big country transactions for avid readers to digest.

So, there you have it - another sterling issue of the Month in Review.

Just ensure that when new arrivals make their way to your town, you don't close the shutters and hide under the bed. Instead, contact your local Herron Todd White office and see how markets will react, so you can not only welcome newcomers, but profit as well.



Office

September 2019

National Property Clock: Office

Entries coloured purple indicate positional change from last month.



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COMMERCIAL

New South Wales

Overview

The commercial sector has traditionally offered investors a way to boost yield in their portfolios, but as you'll see in our report, there are some surprises.

This month, we're taking a look at major transactions, both sales and leases, in office markets around the nation.

Quite a few of our major centres are seeing strong buyer demand for office space and this has translated into tight yields. Other localities are experiencing a struggle, which can spell opportunity for investors keen to purchase at the bottom of the cycle.

Sydney

The Sydney CBD office market has seen several big transactions so far in 2019 in both strata and freehold spaces.

The most significant transaction, at \$800 million, was Dexus and its unlisted Dexus Wholesale Property Fund's purchase of GPT Group's half-share in the MLC Centre at 19-29 Martin Place. Dexus already owned fifty per cent of the property prior to this transaction and now with full control of the property, the transaction cements them as the largest office landlord in Australia. At 67 storeys, the MLC Centre was for many years the tallest office building in the country and the site remains one of the largest freehold sites within the Sydney

CBD. There is also no questioning its prime location, set on the southern side of Martin Place within the primary city core precinct.

On a much smaller scale, the strata office market has seen a number of strong results, continuing to push square metre rates to unprecedented levels. Noonan Property's sale of Level 10 (398 square metres) of Heritage listed Culwalla Chambers, at 67-69 Castlereagh Street, achieved \$6.395 million at auction, reflecting \$16,068 per square metre of lettable area. A result such as this shows the continued strength of the office strata market, however the number of transactions does appear to have slowed.

On the leasing side, while there have been a number of large leases across the CBD, it is particularly worth noting the continued and growing presence of WeWork, who have recently signed a 12-year lease agreement over 11,000 square metres of office space across ten floors at 320 Pitt Street. This is WeWork's largest Australian lease to date and a reflection of the growing appeal of co-working space. WeWork has also fully secured 1 Sussex Street at Barangaroo, which will reach completion at the end of 2019 and is anticipated to open in early 2020. It's unclear what the impact of co-working space will have on the wider market, however it does present new options for tenants looking for more flexible options.

Vacancy rates remain very low across the CBD, reported at 3.7% as at July 2019 (PCA), down from 4.1% in January. Low vacancy continues to be driven by low supply which in turn continues to see above average rental growth. Supply was particularly hampered during the first half of 2019 by withdrawals outweighing supply, reflecting -23,400 square metres of net supply (PCA). A total of 32,039 square metres of office accommodation across eight sites was taken offline in the first half of 2019. Five of these sites are situated in the city core precinct.

New approvals for office accommodation are low across the CBD, with approvals being generally focused on residential and hotel redevelopment rather than traditional office space. As an example, there are currently more than 20 hotels either under construction or approved for redevelopment. That said, there is new office supply on the horizon, however the majority of this will not come online until 2020 or 2021.

For the time being, CBD rents are anticipated to remain strong, although will likely moderate, until supply catches up to demand and values are likely to remain strong for good quality stock.



RENT
3.7%
Vacancy rates
across the CBD,
reported as at
July 2019 (PCA).



 *There are currently more than 20 hotels either under construction or approved for redevelopment.*



Newcastle

Office investment activity in Newcastle has been fairly subdued over the past 12 months. That was until the headline grabbing sale of 18 Honeysuckle Drive, Newcastle to IOOF Investment Management Ltd for a reported sum of \$52.2 million of course. A record for office property in the city, Colliers International describes the property as:

“an A Grade, seven-level commercial building completed in 2017 that provides investors with a top tier asset featuring outstanding investment credentials. The 6,524 square metre building is 100% leased to a diverse list of corporate and Government tenants.”

And it is well-positioned in the prominent Honeysuckle harbour front precinct of the Newcastle CBD.

The property was designed to meet a 4.5-star NABERS energy rating and was awarded a 5-Star Green Star rating. It provides purchasers with a passive asset featuring low forecast capex and numerous high quality attributes.

A modern CBD office building of 6,524 square metres, it was completed in 2017 and is 100% leased with WALE of 6.8 years, with a net passing income of \$3,235,354 excluding GST underpinned by seven top tier tenants including the NSW Government and a variety of corporate businesses.

The sale reflects an approximate yield of 6.2% and reflects the continuance of low yields for well positioned and occupied investment stock in the current market. A-grade vacancy remains at historic lows and with major office developments around the Wickham transport interchange being built fully or majority pre-committed, this vacancy rate will remain low for some time.

Wollongong

Sales transactions in the office sector have slowed over the past 12 months mirroring the trend of the broader commercial real estate market across regional New South Wales.

The slowdown is coming at the end of a very buoyant three years where record sales prices were achieved resulting in yield compression across the board. This is exemplified by the sale of 90 Crown Street, Wollongong in late 2018 for \$50.38 million showing an initial passing yield of 7.75% on a WALE of 3.5 years.

The slowdown in investment sales over the past year is attributed to several factors including the Banking Royal Commission, state and federal elections, volatility in the global markets, downturn in the housing market and just the normal market cycle. There is optimism that recent interest rate cuts will spur activity with most participants keenly watching to see if this will result in further yield compression in the sector or if there will be a more permanent re-assessment of risk despite lower borrowing costs.

During this period of low and reducing interest rates, owner-occupiers have remained relatively active in the sub-\$1.5 million price category, however the limited availability of such properties particularly in the Wollongong CBD has seen owner-occupiers look further afield to the region's other major centres including Corralim, Fairy Meadow, Dapto and Shellharbour.



\$400-\$450

per square metre
for A-Grade gross
face rents in
Wollongong CBD.

Local agents are reporting a healthy level of enquiry for office space in quality, well placed buildings with MMJ securing several tenants for the recently refurbished 6-8 Regent Street, while Knight Frank has secured Aon Corporation on a new lease in the Corporate Square building on Burelli Street. Gross face rents in the Wollongong CBD generally sit in the order of \$400 to \$450 per square metre for A-grade and \$350 to \$395 per square metre for better quality B-grade stock in the CBD.

Lismore

The office market has traditionally returned one per cent to 1.5 per cent higher yield than retail on the New South Wales north coast. This is no longer the case given the superior strength in the office rental market in comparison to the weaker retail market (with the exception of Byron Bay).

Notable sales in New South Wales north coast locations for leased investment product include:

- ▶ **River Street, Ballina, NSW** for \$780,000 (6.37%, \$3,959 per square metre);
- ▶ **River Street, Ballina** under contract for \$1.425 million (purchased on 7.5% yield, \$4,095 per square metre);
- ▶ **Woodlark Street, Lismore** (1 February 2019) for \$1.11 million (7.25%, \$2,662 per square metre);
- ▶ **Molesworth Street, Lismore** (1 April 2019) for \$190,000 (6.29%, \$1,210 per square metre).

We are also aware of a recent significant transaction in Byron Bay comprising a strata office space. As is common, Byron Bay sets its own market with this being purchased for \$3.5 million for owner-occupation, indicating \$7,322 per square metre.

Owner-occupiers are active in the office market with two mixed use developments near completion in Lennox Head and Ballina selling strata office units off the plan reportedly all to owner-occupiers across a broad price range as low as \$313,000 and up to \$979,000, with rates per square metre showing \$5,300 to \$6,800. Because there is limited supply of this type of product in the locality, agents reported strong demand with more potential purchasers than product available.

A notable increase in value has been observed in the newly developed Habitat in Byron Bay, a mixed use live-work development which comprises units with 20 square metres of ground floor commercial space or home-office with the balance being residential. The units sold in 2016 off the plan for \$650,000 each with two recent resales at \$820,000 and \$850,000.



Habitat, Byron Bay Source: realcommercial.com.au

The rental market across most areas of the north coast has remained relatively steady with broadly a balanced market except for Lismore which is generally weaker with increasing supply although rents are still holding.

Coffs Harbour

The office market has remained relatively stable during 2019. The market for leasing appears to have remained stable with supply and demand issues broadly balanced which has resulted in rents remaining stable.

Good quality office space is leased at \$350 to \$400 per square metre per annum. Specialist medical tends to command a premium above this with examples of \$400 to \$500 per square metre occurring. Secondary office accommodation tends to be more difficult to lease with rentals in the vicinity of \$200 to \$300 per square metre depending on size, quality and location.

The direction of yields tends to be stable with ultimately the strength of the tenant and lease term driving the yield. The traditional variation between retail and office markets (one per cent to 1.5 per cent in favour of retail) is no longer as evident as it once was.

The retail sector is currently experiencing higher vacancy and the longer lease-up periods are impacting value and saleability.

The office market appears the more stable at this time and into the future the yield trend between office and retail maybe reversed.

Orange/Dubbo

A recent upper end market sale was a commercial property at 129 -131 Byng Street, Orange for \$6,062,500. The property was leased to a NGO agency on a ten plus five plus five year term commencing November 2018. The analysed yield was 6.94%. The building is the former two-level 1874 constructed Railway Hotel, now refurbished throughout for office use, extended to 1,569 square metres and fitted with a lift. The sale price equates

to \$3,864 per NLA and gross rent equates to \$306 per square metre.



129 -131 Byng Street, Orange Source: realcommercial.com.au

In Dubbo, a number of sites have been procured for redevelopment for intended office or mixed use. These include the sale of 102-108 Macquarie for \$2.25 million, a 2,517 square metre site on Dubbo's main shopping strip, for redevelopment into a six-storey business hub and the recently developed 1,076 square metre Brisbane two-storey office complex now on the market at rents of circa \$320 per square metre.



Victoria

Melbourne

According to the Property Council of Australia's Office Market Report, Melbourne CBD's office overall vacancy rate has increased slightly by 0.1% as of July 2019. Melbourne CBD continued to record the lowest vacancy rate amongst all of Australia's CBDs at 3.3%, in front of Sydney CBD at 3.7%.

Tenant demand is continuing to rise in the city fringe. According to online research reports, the office leasing market within the city fringe and inner east was strong over the past 12 months. Tenants, especially from the creative, technology and business service sectors, actively compete for well-located high-quality office accommodation. Vacancy rates in the city fringe, inner east and outer east are well below long term average vacancy levels. The vacancy rate in the inner east fell to 3.58%, making it the lowest vacancy rate of all of Melbourne's metro precincts. The CBD's increasing rent level is creating greater demand in city fringe locations as tenants seek cheaper alternatives.

Incentives are currently broadly ranging from circa 10% to 25% net depending on the tenancy size, lease term and location. In the south-eastern and outer-eastern markets where vacancy rates are high, incentives are at their highest whilst in the city fringe and inner eastern markets, incentives are at their lowest.

There has been strong capital growth for commercial development sites in Cremorne and Richmond over the past two years, particularly within the past 18 months. Larger development



sites above 1,000 square metres are in high demand in the current market as they allow greater development scale as opposed to smaller sites. Record high land rates have resulted in Cremorne and Richmond this year with a number of development sites selling for land rates in excess of \$13,000 per square metre. However, we highlight that the development market in these areas is considered to be at the peak.

Buyer demand is still solid for CBD, city fringe and suburban well-located sub-\$50 million investment commercial assets. Properties in this price range are keenly sought by higher net worth private investors, syndicates and overseas investors. For instance, two adjoining properties at 37 and 39-41 Little Collins Street in the CBD were sold at a strongly contested auction conducted by Colliers

International in June 2019. 37 Little Collins Street, a double storey fully refurbished period building which is leased to Bar Lourinha, was sold for \$5.85 million, reflecting a passing net yield of 2.2% while 39-41 Little Collins Street, which has three street frontages and is improved with a circa 1919 three storey hospitality and office building, was sold for \$16.5 million, representing a passing net yield of 1.1%. Both properties were sold significantly above the reserve prices to businessman Rob Phillipot, the co-founder of Aconex.

In the suburban office market, a local private investor purchased 19-23 Prospect Street, Box Hill in March for \$21.6 million, reflecting an analysed market yield of approximately 6.3%. The property comprises a circa 1988 five-storey office building including two levels of basement parking and a total net lettable area of 4,275 square metres. Investment yields within the inner city are being influenced by the underlying land values of the properties. Land rich assets usually reflect lower yields compared to investment assets which have been fully developed.

The office leasing market within the city fringe and inner east was strong over the past 12 months.



Queensland

Brisbane

For a number of years, the performance of the Brisbane office market has been underwhelming, to say the least, and has lagged behind the broader Brisbane commercial markets.

Stubbornly high vacancy rates due to constant supply additions and patchy conditions across key industries resulting in an ongoing competitive leasing market and limited rental growth have been key factors as to why the office market has been sluggish virtually since the GFC.

Brisbane is however currently undergoing a major transformation with a number of significant infrastructure projects that have either recently been completed or are currently under construction. These projects, coupled with the low interest rate environment, are having a positive impact on the CBD and fringe CBD leasing markets and are seeing increasing appetite from investors, both on a private and an institutional level.

Recent vacancy statistics released by the Property Council of Australia (PCA) have indicated that the overall Brisbane CBD vacancy rate compressed further in July 2019 to 11.9%, which is its lowest rate since January 2013. Furthermore, the overall Brisbane fringe CBD market also reduced to 13.8%, its lowest since January 2017. Vacancies for prime grade CBD accommodation are now below 9% and more tellingly, there is no sub-lease space now available in these properties. A-grade vacancies in fringe areas have also dropped markedly from 16.7% to 12.7% over the past six months.

Brisbane is however currently undergoing a major transformation.

Given the improving leasing markets, it is likely we will see gross face rents stabilise for prime and A-grade office accommodation in the CBD and fringe CBD. Stronger performing precincts such as King Street and Ann Street (Fortitude Valley), Gas Works precinct (Newstead), South Brisbane and the Golden Triangle (Brisbane CBD) are likely to see rental growth over the remainder of the year for modern quality developments. We may also (finally!) see incentives start to fall.

The positive vibe coming out of Brisbane is now starting to translate into a number of strong investment transactions and the opportunity and appetite for re-positioning underperforming commercial office assets is on the rise.

Notable recent re-positioning transactions in Brisbane include:

8 Gardner Cl, Milton

Sale Date	Sale Price	Lettable Area (m2)	WALE/ Lease Term Certain	Analysed Market Yield (%)	\$/m2 Lettable Area
Jun 2019	\$25.23M	4,271	5.22 yrs	6.87%	\$5,907
Aug 2017	\$10.625M	4,271	1.18 yrs	10.95%	\$2,488

The property is a modern style, four level, multi-tenanted commercial office building situated in Milton.



8 Gardner Cl, Milton

Source: realcommercial.com.au

The building was largely vacant (approximately 75%) in 2017 when it was acquired by Quintessential Equity Pty Ltd. The asset was re-positioned by undertaking a number of building modifications and upgrades in order to revitalise the property in line with market expectations and undertake a new leasing campaign.

At the commencement of 2019, the building was 100% leased, reflecting a steady cash flow and solid WALE.

164 Grey St, Southbank

Sale Date	Sale Price	Lettable Area (m2)	WALE/ Lease Term Certain	Analysed Market Yield (%)	\$/m2 Lettable Area
Jul 2019	\$44.65M	3,115	7.1 yrs	5.30%	\$14,334
Jan 2016	\$30.30M	3,065	1.4 yrs	6.50%	\$9,886

This property is a modern style, four level, multi-tenanted mixed use commercial building situated at Southbank.





The building was acquired by Marquette who fully upgraded the building services, created a new office lobby and building entry and increased the lettable area by adding an additional retail tenancy. The building was fully re-leased, securing long term tenants and strengthening its overall cash flow position.

The property was recently sold reflecting a strong yield which was underpinned by the strong cash flow position of the asset and its prime location.

These two sales are a stark contrast of how a fully leased commercial office asset with good cash flow fundamentals will perform versus

The near-term outlook for the Brisbane office market appears positive .

assets that are largely vacant with significant cash flow risk. We are seeing an increase in appetite for value-add commercial office assets that are well located.

The market generally has been active over the past 12 months with notable transactions (see table below).

Selling agents are reporting that demand is also increasing for underperforming, older style office assets that can be re-positioned and re-let.

The near-term outlook for the Brisbane office market appears positive and it is possible that further yield compression may occur should interest rates decline further. Furthermore, the yield spread between Brisbane and its southern counterparts (Sydney and Melbourne) is still significant and the coming infrastructure projects are likely to increase Brisbane's attraction as an investment destination.

Other Notable Investment Sales	Sale Date	Sale Price	Lettable Area (m2)	WALE/ Lease Term Certain	Analysed Market Yield (%)	\$/m2 Lettable Area
CBD						
201 Charlotte St, Brisbane	Apr 2019	\$126.7M	13,291	5.1 yrs	5.90%	\$9,533
133 Mary St, Brisbane	Mar 2019	\$96.5M	12,976	2.7 yrs	6.02%	\$7,437
61 Mary St, Brisbane	Nov 2018	\$275M	28,749	10.4 yrs	5.95%	\$9,566
CBD Fringe & Inner City						
381 Macarthur Ave, Hamilton	Apr 2019	\$19.73M	2,825	5.12 yrs	6.58%	\$6,984
19 Corporate Dr, Cannon Hill	May 2019	\$35.05M	6,028	2.91 yrs	7.32%	\$5,814
Building 2, 747 Lytton Rd, Murarrie	Jun 2019	\$17.26M	3,346	3.12 yrs	6.98%	\$5,158

Gold Coast

Agents report that conditions within the Gold Coast office market have been slowing for a while now. Exacerbating this sentiment in 2019 to date was the Royal Commission into misconduct in the banking, superannuation and financial services industry and the federal government election campaign. However after a marketplace hiatus over this period (February to May) the impact of these events seems to have well and truly passed and business appears to have moved back into normal mode once again.

Continuation of the low interest rate environment, with rates reducing yet again, is certainly a positive for the market place in a general sense.

To date in 2019, we have seen settlement of several sizeable office building transactions. These include:

- In January:** 130 Bundall Road, Bundall. 3,682 square metre lettable area on a 2,226 square metre site at \$11 million (source: CoreLogic). 70% occupied and reflecting a WALE of 2.16 years (by income). Passing yield circa 5.43%. Analysed yield 7.34% (with 7.5% PVA). \$2,988 per square metre on floor area. Owner-occupier buyer.
- In March:** Lakeside 1, Bermuda Point, Lot 1101/1 Lake Orr Drive, Varsity Lakes. 6,114 square metres lettable area on a 7,916 square metre site at \$25.1 million (source: CoreLogic). Reported as circa 96% occupied and returning a net passing income in the order of \$2.285 million. Based on these metrics, passing yield would be in the order of 9% with a lettable floor area rate of circa \$4,105 per square metre, although we consider the passing rental level full.
- In May:** 169 Varsity Parade, Varsity Lakes. 3,364 square metres lettable area on a 13,000 square metre site at \$14 million (source: CoreLogic). Fully leased and reflecting an



estimated WALE of 1.38 years (by income). Passing yield circa 8.73%. Analysed yield 6.85% (with 5% PVA). \$4,172 per square metre on floor area. Considered a future residential redevelopment site.

- **In August:** Confidential. Circa 2,500 square metres lettable area U/C exceeding \$8 million. 95% occupied and reflecting a WALE of 1.5 years (by income). Will reflect a passing yield of circa 7.6%.

Several other larger office buildings have also been put to the market place. All have drawn interest from prospective buyers. Based on bone fide offers received, interest in the Gold Coast office sector would appear to be holding firm, although our observation is that yields may be softening slightly, to analysed yields ranging from 7.25% to 8%.

Supply of larger office floor space (1,000 square metres plus) has been hampered on the Gold Coast for some time now due in the main to no new office buildings being developed.

Acuity Business Park at Robina is under construction with anticipated completion in mid 2020. The development will comprise two buildings of three storeys above basement car parking. Stage 1 (5,937 square metres LFA) reportedly has a substantial pre lease commitment. Stage 2 (3,627 square metres) is available. Rental rates are in the order of \$460 to \$470 per square metre per annum gross plus car parking at \$150 per bay per calendar month.

The Ivy Pearce Building at Bilinga adjoining the Gold Coast Airport is a three year old, A-grade office building at the southern end of the Gold Coast. The dominant tenant is the Australian Federal Police. There is available office space

between 480 and 1,014 square metres. Asking rental is in the order of \$350 per square metre per annum net plus outgoings of \$75 per square metre. Car parking is extra.



Ivy Pearce Building Source: realcommercial.com.au

The lack of new buildings has attracted entrepreneurial investors to older buildings in the Gold Coast's older established office precincts such as Southport, Bundall and Surfers Paradise. Buildings such as 7-11 Short Street, Southport and 130 and 132 Bundall Road, Bundall are good examples of refurbishment drawing tenants looking to move from C-grade floor space into B- or A-grade buildings. They are attracted by the affordable rentals that would typically range from \$325 to \$400 per square metre per annum gross plus extra for car parking.

50 Cavill Avenue, Surfers Paradise, which underwent a major refurbishment several years ago, has had the top floor recently lease at \$450 per square metre per annum net plus outgoings of \$120 per square metre. Car parking is extra at \$150 to \$175 per bay per calendar month. This level of rental is reflective of the upper range for Gold Coast office space, being surpassed only by the likes of the Oracle at Broadbeach where rates up to \$600 per square metre per annum gross are achieved.

The Property Council of Australia July 2019 Office Market Report indicates a total vacancy factor for the Gold Coast of 12.9%. This is up from 11.6% in their January 2019 report. Leasing agents had noted a tougher first half for 2019, but expect the second half to be better. Further, the negative net absorption of -6,850 square metres is attributed to businesses consolidating into smaller premises, etc.

Overall, we consider the increased level in the Gold Coast vacancy factor may dampen some investors' views of the Gold Coast office sector, with the result being solidification of slightly higher yields, but on the positive side of the ledger, rental rates appear to be achieving moderate gains. So all in all, the bottom line is likely to be retention of asset value levels over the remainder of 2019.



Acuity Business Park, Robina Source: Acuity Business Park

Sunshine Coast

The office market on the Sunshine Coast has continued to remain relatively stable during 2019.





One of the big questions has been, “What will be the effects be of the large supply of which entered the market during 2018?”

The answer to this has generally been a reduction in rentals for tenants, though in prime locations and A-grade stock, that reduction has been lower than the remainder of the market. We have seen significant incentives for vacant space, though overall reductions in market reviews for existing tenants are not as significant. One of the reasons for this is likely the high costs associated with moving work spaces for the majority of tenants with over 150 square metres of space. As a result, we have continued to see sales of existing offices in the market.

Sales of note include:

- **1-5 Plaza Parade, Maroochydore** comprises a mix use, two level, lifted complex comprising six tenancy areas and a NLA of 1003 square metres. The property sold in April 2019 for \$3.65 million indicating a yield of circa 7.2% on the reported net income with a reported WALE of 1.65 years and \$3639 per square metre.
- **72 Simpson Street, Beerwah** comprising a strata-titled mainly medical style centre across a single level. The complex has nine separate lots though is split into four tenancy areas only. It sold in March 2019 for \$3.6 million indicating a yield of circa 7.5% with a reported WALE of 2.58 years and \$5128 per square metre.
- **17 Wyreema Terrace, Caloundra** comprises a semi modern, two-level walk up stand-alone complex of 253 square metres. The property sold in vacant possession to an intending owner occupier in March 2019 for \$1.25 million indicating a value of \$4941 square metre.
- **4/77 The Esplanade, Mooloolaba** is a 227

square metre strata within a refurbished, lifted office complex with good views over Mooloolaba Beach. This property was purchased by the sitting tenant in March 2019 for \$1 million indicating a value of \$4405 square metre.

These sales indicate that the market is still liquid for a range of holdings. The owner-occupier market is still dominating sales up to \$1.5 million with owners looking to secure high quality space generally above \$4000 per square metre with lower quality space typically in the \$3000 to \$4000 per square metre range.

Investors are looking for multi-tenanted holdings to spread overall cash flow risk in this market, which has high vacancy, with sales typically being seen in the seven to eight per cent range depending on WALE, quality of complex, location and redevelopment potential.

We have not seen a higher end sale over \$5 million in the office space to date in 2019, though there has not been stock available to the market in this range.

The next influx of supply is due to enter the market during the early months of 2020 with the first building within SunCentral due to be completed at that time with construction recently commenced.

Toowoomba

Leasing demand for commercial office accommodation in Toowoomba continues to be subdued. As a result there has not been significant growth in rentals with evidence that some lease incentives may be required to secure tenants.

Owner-occupier demand continues to be strong, particularly for premises with floor areas of up to 300 square. There has been a reduced supply in this market segment, which has resulted in some sales achieving premium prices.

There have been a number of major investment sales in 2019 following many years of limited activity. The sales of note include the following:

- **Easternwell Building - 10 Russell Street, Toowoomba City** - This is a nine level office building with a net lettable area of 7,126 square metres and 101 on-site car parks. Major tenants include Easternwell Group, Southern Cross Austereo, Neato Employment and two state government tenants. There were a number of vacant tenancies and leases with short remaining lease terms. The WALE is 2.4 years and sale price was \$10.5 million with a passing net yield of circa 12%.



Easternwell Building

Source: realcommercial.com.au

- **146 Herries Street, Toowoomba City** - This is a two level building with a net lettable area of 1,615 square metres and 60 on-site car parks. The building was fully leased to two government tenants. Sale price was circa \$7.4 million with a passing net yield of circa 8%.



146 Herries Street, Toowoomba City

Source: realcommercial.com.au

► **70 Neil Street, Toowoomba City** - This is a single level building with a net lettable area of 948 square metres and 26 on-site car parks. The building was fully leased to a legal firm and Darling Downs Radiology. Sale price was \$4.65 million with a passing yield of circa 7%.



70 Neil Street, Toowoomba City

Source: realcommercial.com.au

Cairns

The Cairns office market is relatively shallow and experiences limited sales activity. The market has also experienced limited new development, with the last very large office building constructed in Cairns being the state government office tower completed in 2010.

The level of general commercial property sales in Cairns, inclusive of retail and commercial office premises, highlights that activity in the Cairns commercial market remains well below the levels achieved in the 2003 to 2007 period. Sales volumes have been gradually rebuilding over the past nine years, but are still only averaging around 90 to 100 sales per annum. Median prices paid specifically for strata titled premises have increased mildly over the past seven years, but our general impression is that prices per square metre of floor area are mostly stable within the \$2,500 to \$4,500 range.

Commercial Property Sales in Cairns



Most new office space leasing demand is for smaller areas and for modern, good quality green star rated premises, however there is only a handful of such buildings in Cairns. These buildings achieve high levels of occupancy and are experiencing stable rent levels typically of \$350 to \$450 per square metre per annum. Demand for lesser quality space remains limited and there is a large oversupply of good quality non-inner CBD and well exposed secondary space in the \$200 to \$300 per square metre per annum rental range. These conditions have placed downward pressure on secondary rents and have seen the emergence of incentives.

The most recent sale of a large office building was the design and construct of the new Ergon premises in Bunda Street, Cairns City. The property sold for \$14.7 million in May 2019 providing an analysed yield of 6.4%. The building comprised two levels of high quality office with a total area of 2,400 square meters, 68 car parks and an initial ten year lease term.

Townsville

The biggest office transaction to have occurred in the Townsville market over the past 12

months was for a nine-level CBD office building constructed in 2013 and leased to blue chip tenant Ergon Energy with National Australia Bank occupying the ground floor. The property sold in December 2018 for \$63.5 million with a passing yield of 7.3% and weighted average lease expiry of 9.6 years. This is the biggest office transaction to have occurred in the Townsville market.

We are currently seeing a CBD office building that was acquired fully vacant undergoing a major redevelopment including external façade upgrades and internal upgrades, with the building being rebranded Precinct 21. The refurbishment is reportedly at a cost of \$10 million and will offer five levels of commercial office space.

We are also seeing construction well underway of a new 4,000 square metre, four-level office building in the fringe City Centre Central development. This is a purpose-built building to be wholly occupied by the Australian Taxation Office from 2020 on a ten-year lease plus options. The property is currently being marketed for sale via expressions of interest. The completion of this building and the relocation of the ATO from its current tenancy will likely see a large amount of quality office space come onto the leasing market. The current depth of the local private sector is unlikely to be able to absorb this space based on the current environment.

Rockhampton

The office market in Rockhampton has stabilised, however remains relatively flat. There have been no major office developments in the CBD since the completion of the NAB building in 2012, however there is still a significant vacancy rate and until existing vacancies are absorbed across the CBD, it is



unlikely we will see any other major office developments in the immediate term.

We note that the Council has recently let the contract for the construction of a new art gallery in the CBD on a 2,800 square metre site. It will require the demolition of existing office buildings which provide about 3,000 to 4,000 square metres of office space.

Rentals have been relatively stable over the past 12 to 24 months, however leases that were negotiated some five to ten years ago that are coming to an end are seeing some re-negotiations as the previous rentals are now considered above market. Generally speaking, office rentals within the Rockhampton CBD have been ranging from about \$225 to \$300 per square metre gross. Rentals above \$300 per square metre gross are for prime office tenancies only.

There have been no recent major transactions of office buildings. The most recent was the sale of the NAB building which transacted in 2016 for \$9.35 million. Owner-occupiers remain fairly active in the market, with most activity in the sub-\$1 million price bracket. Vacant office buildings have been very thinly traded above the \$1 million price bracket in recent years.

With multiple infrastructure projects commencing and in the pipeline, things are looking positive for the office market in Rockhampton in the short to medium term.

\$225-\$300

office rentals
per square metre
within the
Rockhampton CBD

\$300+

office rentals
per square metre
for prime
office tenancies

Gladstone

Office conditions in Gladstone have seen some not so positive years, however conditions are now considered to have stabilised. Whilst there are still vacancies to be filled, we have seen some new rentals in the CBD negotiated in the past six to 12 months that fall within the low to mid-\$300 per square metre gross, which is a positive sign for this sector. Notwithstanding this, we consider the market remains volatile and rentals at this level are difficult for landlords to achieve.

The market is still recovering from years of increasing vacancies and downward pressure on rentals. Due to the existing vacancies, there are no known major office developments in the pipeline to report on, and until such time as vacancies are absorbed, we are unlikely to see any new major office developments. There have been no known major transactions of office properties in recent years, however more recently we have seen some investment activity at lower price brackets.

Most recently, a strata office unit at 174 Goondoon Street sold for \$1 million, reflecting a yield of about 9%. The property had a WALE of 2.88 years. Other activity for office properties has predominantly been in the sub-\$1 million price bracket.

Wide Bay

The Wide Bay commercial office market has remained stable with a balance of supply and demand for an extended period.

Notable office developments include The Avenue at Hervey Bay. This development will comprise a community titled walk up office complex in a prominent business location of Hervey Bay.

Office sales within the Wide Bay are typically reflecting yields of 7.5% for good quality buildings in prominent locations with good quality tenants on long-term leases to 9% for lesser quality buildings in secondary locations with lesser quality tenants on shorter leases.

Gross rental growth prospects in the short term appear to be limited, with the market expected to remain well balanced over the short term.

Mackay

There is very little leasing activity within the office sector in Mackay. The market remains fairly subdued. Some office users around the city have reduced their tenancy areas.

Sales activity has been limited to the more affordable end of the market at less than \$550,000 and comprise:

- ▶ An older office property at 92 Wood Street, Mackay City was recently sold by receivers at \$505,000 with land area of 365 square metres and net lettable area of 323 square metres. This property was sold after an extended marketing period in vacant possession.



92 Wood Street, Mackay City

Source: realcommercial.com.au





17 Shakespeare Street, East Mackay

Source: realcommercial.com.au

- ▶ An office property at 17 Shakespeare Street, East Mackay sold with vacant possession at \$545,000. It comprises a 1,642 square metre aggregation of two adjoining lots in a residential area and is improved with an older style, single level, brick building with reported area of approximately 400 square metres. It had been used by a community organisation and has been acquired by a medical services provider. The sale price is well below replacement cost.

We are also aware of a sale contract over another vacant possession property at 14 Grendon Street, North Mackay. This is an older style house which has been converted for use as a medical practice.

We have noticed an increased level of demand for office space over the past couple of years from community, disability and medical service providers.

Unfortunately, the relatively high combined cost of local authority rates and building insurance premiums is eroding investment returns and investor demand for office property in Mackay.



South Australia

Adelaide

Adelaide's office market continues its solid performance with vacancy rates dropping to their lowest level in over four years. Interest rates remained unchanged in the RBA's August meeting with the cash rate now just 1%, as Governor Philip Lowe noted that economic growth has been lower than expected over the first half of 2019.

In our previous office market update, Adelaide CBD total vacancies were recorded at 14.2%, whereas now, according to statistics published by the Property Council of Australia, CBD vacancies measure just 12.8%. Adelaide's fringe office market, which encompasses the arterial roads of Greenhill Road to the south of the city and Fullarton Road and Dequetteville Terrace to the east, has recorded vacancies of 13.1%, a slight increase since our last update in June. This reflects the desire of tenants to base themselves within the CBD, as Adelaide continues to present itself as an attractive base for both international and local businesses. Furthermore, within the CBD office market, A-grade vacancies decreased by 0.5% and B-grade vacancies also reduced by 0.2%, while C-grade office vacancies increased by 0.5%, reflecting tenant demand for high quality and sustainable office space.

Nationwide vacancies are forecast to reduce to 7.7% over the next two years, with modest improvements in South Australia, Queensland and Western Australia offsetting slight vacancy increases in New South Wales and Victoria.

Adelaide's office market continues its solid performance with vacancy rates dropping to their lowest level in over four years.

Owners are continuing to reposition B and C-grade space to increase the quality and fuel the flight to quality within the Adelaide CBD, further closing the gap between premium and secondary space.

Recent major transactions within the Adelaide market include the Real Estate Institute of South Australia (REISA) building at 249 Greenhill Road, Dulwich. The 801 square metre building sold for \$3.215 million in July. In addition to this, the city frame site of 104 South Terrace sold for \$3.435 million in March, encompassing 772 square metres of lettable area. Activity has been high in the city frame market recently, as a multi-level office building with underground car park at 67 South Terrace sold for \$2.244 million in June. Outside of the city, there has been activity in the eastern suburbs, with offices selling in Norwood and Stepney over the past few months. 57 Beulah Road, Norwood sold late in June for \$1.37 million for 606 square metres of lettable office space on a site measuring 826 square metres. 65 Magill Road, Stepney also sold in June for \$2.5 million for a property that

encompasses a multi-level office building with lettable area of 545 square metres and quality main road exposure.



104 South Terrace, Adelaide

Source: realcommercial.com.au

On the leasing front, the most significant transaction to occur in recent months is the renewal of the lease to South Australian Health at 11 Hindmarsh Square in the city core area. SA Health renewed its lease in April this year to extend its stay in Hindmarsh Square for a further five years, encompassing 13,750 square metres of lettable area. Smaller profile leases have been much more common in recent months, with tenants picking up space on the first floor of Adelaide Arcade, the ground floor at 120 Hutt Street, also home to Connekt Urban Projects, while various office suites at Aurora on Pirie, 147 Pirie Street, have also been leased to new tenants.

VACANCY

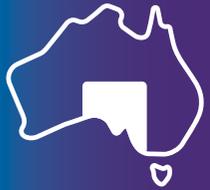
14.2%

Adelaide CBD
total vacancies



Overall, sentiment in the office market is encouraging, with net absorption remaining positive. As businesses grow and expand, office space continues to be sold and leased and pressure is put on B and C-grade space to adapt and improve to remain attractive to prospective tenants.

Month in Review
September 2019



COMMERCIAL

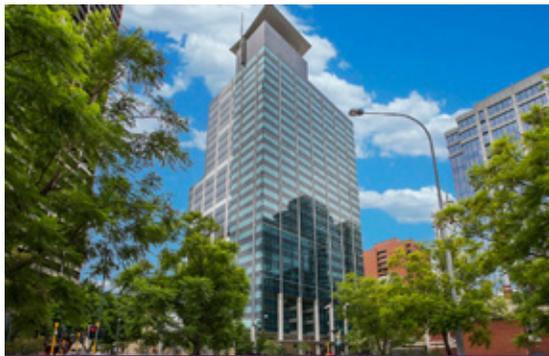
Western Australia

Perth

To date in 2019, the Perth office leasing market has seen both rental incentives and rental rates stabilise. The most recent Property Council of Australia (PCA) Office Market Report indicates the total vacancy rate for office space in the Perth CBD dropped marginally from 18.5% to 18.4% in the six months to July 2019. The reduction is attributed to positive demand for premium and B-grade buildings.

Whilst an encouraging sign, Perth's CBD has the highest vacancy rate of all capital cities in Australia.

There are no significant building projects in the pipeline until 2020 and the revitalisation of the CBD landscape, with major infrastructure projects such as Elizabeth Quay continuing to move ahead. Incentives for quality buildings in Perth's core CBD have even experienced some downward pressure with early signs of growth in the space needs of particular tenants.



240 St Georges Terrace, Perth

Source: realcommercial.com.au

▶ *The total vacancy rate for office space in the Perth CBD dropped marginally from 18.5% to 18.4% in the six months to July 2019.*

Some of the more notable leasing deals are highlighted below:

- ▶ **240 St Georges Terrace, Perth:** The former Woodside Plaza building owned by Dexus (circa 47,000 square metres) has managed to secure multiple tenants including Macquarie, CBH Group and Iluka Resources during the past 12 months or so and reportedly sits at around 92.5% occupancy.
- ▶ **556 Wellington Street, Perth** - Some 8,500 square metres of office space within Kings Square 1 has reportedly been let to the Department of Human Services.
- ▶ **150-152 St Georges Terrace, Perth:** Co-working and work place design company WeWork has reportedly taken just under 8,000 square metres in Central Park.

Property owners continue to be proactive in trying to entice existing tenants to recommit and in order to attract new tenants. Accordingly, incentives are still being offered in the market place (typically between 25 and 50%).

Furthermore, landlords are providing their existing and prospective tenants with bespoke floor plates, flexible work spaces, meeting hubs, refurbished foyers, some featuring concierge services, gymnasiums or wellness centres with some more innovative landlords looking at child care or child

minding facilities within their buildings, in addition to the obligatory end of trip facilities, bike storage rooms and, in some cases, bike repair shops.

In terms of capital transactions, demand for office property in the Perth CBD has been felt predominantly from institutions and foreign (south-east Asian) buyers seeking counter-cyclical acquisitions of secondary assets with good prospects for re-positioning.

We highlight the following recent transactions:

- ▶ **Exchange Tower, 2 The Esplanade, Perth:** \$326 million, December 2018;
- ▶ **34 Stirling Street, Perth:** \$24 million, December 2018;
- ▶ **179 St Georges Terrace, Perth:** \$18.25 million, February 2019.

These and other recent sales in the CBD have shown (analysed market) yields in the order of 7% to 8.75%.

The West Perth office market has not fared as well as the CBD for the six months to July 2019 as the total vacancy rate rose from 14.8% to 16.9%. Similar to the Perth CBD however, vacancy rates for A-grade space actually tightened during this period however this was off-set by a substantial increase in vacancies for lower grade premises.



There have been very few sales in West Perth during the past 12 months but we make mention of the following asset acquired by RG Property:

► **76 Kings Park Road, West Perth:** circa \$20 million, December 2018.

The lack of quality office stock with medium to long term WALEs combined with subdued economic conditions has affected transaction activity. We expect these trends to continue in the short term.



76 Kings Park Road, West Perth

Source: realcommercial.com.au



Australian Capital Territory



Canberra

2019 has seen vacancy rates continue to tighten for A-grade office stock in the nation's capital, having fallen to 5% from 5.4% in the six months to July 2019 and having already decreased from 8.6% for the six months prior to that (July 2018). Absorption of A-grade stock has continued to improve, primarily for property in close proximity to the CBD and predominantly by Commonwealth government departments. While the supply level for premium office stock is currently tight, new stock coming on-line in 2020 and 2021 will relieve this pressure and potentially offset any significant rental growth experienced currently, especially in the premium sector.

Notable office development currently taking place within the CBD includes Amalgamated Property Group's Civic Quarter, situated alongside the Northbourne Avenue development corridor with direct exposure to the light rail system. The development is set to be twelve levels with a total office space area of 16,000 square metres. Completion is expected by late 2019.

Construction is also well underway on a new \$300 million development by Capital Property Group. The property, located on the corner of Constitution Avenue and London Circuit in Canberra's CBD, is to feature 20,000 square metres of office space spread across 12 levels. The space is already set to be leased by the government for 20 years, with an option of another five years, and will house a total of 1,700 public servants upon completion. Construction for this development began in



December 2017 and is expected to be completed by mid 2020. While there has been very strong interest in the above mentioned projects by both government and corporate tenants alike, demand for office space certainly exists outside of the CBD.

Some recent notable or large leasing transactions in 2019 include:

- ▶ **23 Furzer Street, Phillip.** Leased/ renewed for a ten year term to the Department of Health & Ageing in February 2019. Comprises 44,896 square metres of NLA at \$510 per square metre gross.
- ▶ **16 Marcus Clarke Street, Canberra.** Leased for a ten year term to the National Health and Medical Research Council in February 2019. Comprises 4,020 square metres of NLA at \$501 per square metre gross.
- ▶ **40 Macquarie Street, Barton.** Leased for a seven year term to the Australian Strategic Policy Institute in February 2019. Comprises 2,047

square metres of NLA at \$390 per square metre gross.

An example of a significant sale transaction is 16-18 Mort Street, Canberra City in June 2019 for \$108.5 million. The property was constructed in 1992 and features a total of 14,506 square metre B-Grade office space.

The continued popularity and growth of co-working spaces and buildings with shared facilities to satiate an ever growing mobile office population that demands more flexible spaces coupled with a move towards smarter more energy efficient buildings will see an increased proportion of current B-grade stock undergoing substantial refurbishment and modernization in order to stay competitive and garner local and offshore investment interest.



Residential

September 2019

National Property Clock: Houses

Entries coloured orange indicate positional change from last month.

Month in Review
September 2019



RESIDENTIAL



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National Property Clock: Units

Entries coloured blue indicate positional change from last month.



Month in Review
September 2019



RESIDENTIAL



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New South Wales



Overview

Population movements are one of the best ways to track the rise and fall of residential markets, but generalised numbers don't always paint the fullest of pictures.

This month, our residential teams are looking at what's bringing new residents to their centres or, conversely, driving them away. They've also studied the effect of these human movements on the demand for real estate in their service areas.

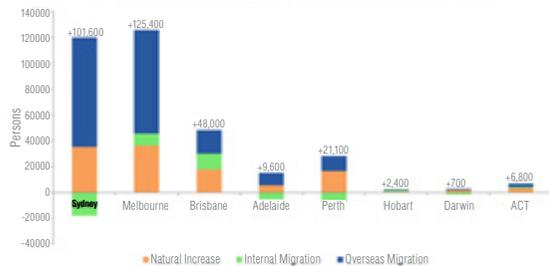
It's a fascinating mixture of quantitative and qualitative analysis sure to pique the interest of every property player.

Sydney

According to the last census, between 2016 and 2017, Sydney's population grew by 101,600 people, an increase of approximately 2%. Of that, an increase of 84,700 came from net overseas migration, 35,000 from natural increase, while net internal migration provided a loss of 18,100 people (source: ABS). Interestingly, that internal migration

Components of Population Change,

Greater Capital Cities, Australia, 2016-17



Components of Population Change, 2016-17

Source: ABS

loss has seen Sydney slip behind Melbourne in terms of overall population growth.

Sydney's population growth has therefore predominantly been driven by overseas migration. In fact the overall total net overseas migration for Australia between 2016 and 2017 was 262,489 (source: ABS), meaning that 38.7% of that growth can be attributed to Sydney. Sydney is a desirable location for overseas immigrants due to employment opportunities, education facilities and other services and the opportunity to move into an area with a population of similar nationality or culture.

The majority of people who leave Sydney for other parts of Australia go to other parts of New South Wales and Melbourne (source: ABS). Newcastle, Wollongong and regional New South Wales offer plenty of opportunities for those looking for a sea or tree change, either in retirement or for those looking for a more affordable lifestyle, particularly lower cost housing, or to escape Sydney's bulging transport and road systems.

Those areas of Sydney that have seen the largest increase in net internal migration are the growth centres in the south-west and north-west of the



262,489

total net overseas migration for Australia between 2016 and 2017.

Source: ABS

city, which have experienced massive new housing growth over recent years through land releases.

TOP SYDNEY SUBURBS FOR NET INTERNAL MIGRATION

Statistical Area	Net Internal Migration	Overall Population Change
Cobbitty - Leppington	3663	4069
Riverstone - Marsden Park	3288	3790
Rouse Hill - Beaumont Hills	1230	1696
Kellyville	877	1295
Elderslie - Harrington Park	866	1222

Source: ABS

Within greater western Sydney there has been a ripple effect of buyers pushing further west in order to secure more property bang for their buck as urban sprawl continues.

This is evident within the new land release areas on the outer fringes of western Sydney such as Box Hill and Austral, with a number of local young families and upgraders buying affordable house and land packages or building their dream home for a lot less than the equivalent (and also older) products a few kilometres east.

As has been the case over the past few years, infrastructure has been a massive drawcard for many people in north-west Sydney resulting in people moving to the area who may not have considered it before. Suburbs such as Cherrybrook, which was often in the shadows of its more sought after neighbour West Pennant Hills, is now bucking the more stable market trend as seen with a recent result of \$2.336 million for a quality built, 25-year-

old, original dwelling in Rothbury Place, a short walk to the new metro station. This infrastructure linking the north-west to Chatswood allows for families to send their children to north shore schools without having to pay north shore prices for houses.



In the outer west, we've seen a number of Penrith residents moving to the lower mountains area and the lower mountains area moving to the upper mountains area and the upper mountains residents moving over the hill to Hartley and beyond.

We've also completed valuations for families selling up and moving to regional towns such as Bathurst. This is becoming more popular as technology is allowing people to work more remotely or even allowing certain occupations to work full time from home.

Another example of population movement is in Werombi, a small tightly held semi-rural village located on the outskirts of metropolitan Sydney.

Local agents have been reporting a trend of buyers shifting further west for rural lifestyle holdings given the more eastern rural fringe areas, such as Rossmore, are part of the Sydney Regional Growth Centres Plan. This has seen a spike in interest and rising values for the better part of the last two to three year period.

Up until 2017, this was popular in the north-west of Sydney with Schofields residents on rural lifestyle holdings being bought out by developers and then moving further out to Oakville and Maraylya to escape the chaos of development and hopefully catch the development wave again decades later.

The great migration of baby boomers is no more apparent than on Sydney's north shore. Baby boomers occupying larger homes on the upper north shore suburbs such as Wahroonga and Turramurra have been selling up and moving to the lower north shore to settle in smaller luxury two and three-bedroom apartments in suburbs such as Mosman.

The existing dwellings the downgraders leave behind are generally purchased by local upgraders or returning expats with younger families wanting to take advantage of the north shore's quality schools and quiet neighborhoods. Over the years these homes are renovated to suit current demands and no doubt when the time comes these owners too will migrate east to the lower north shore to downsize, keeping the tradition alive.

Interestingly the suburb with the largest negative net internal migration, Parramatta-Rosehill, was

the area with the largest positive net overseas migration. This would suggest existing residents are moving to other areas, potentially to upgrade from a unit to a house, with new residents from overseas filling the void.

Auburn, Campsie, Lakemba and Kingsford also have a high percentage of unit stock and would indicate that people are looking to upgrade from units to houses but can't necessarily afford to do that in the suburb in which they currently reside.

BOTTOM SYDNEY SUBURBS FOR NET INTERNAL MIGRATION

Statistical Area	Net Internal Migration	Overall Population Change
Auburn - Central	-636	857
Canterbury (South) - Campsie	-640	1286
Lakemba	-742	659
Kingsford	-882	1316
Parramatta - Rosehill	-1460	2926

Source: ABS

It is no surprise to see that those suburbs with the highest net internal migration are those that have also experienced significant unit construction in recent years. This has provided overseas immigrants the opportunity to get more affordable housing in well positioned suburbs, close to major transport links and services. Many of these suburbs are also located close to educational facilities which are also a major pull factor for overseas students into these areas.



Baby boomers occupying larger homes on the upper north shore suburbs such as Wahroonga and Turramurra have been selling up and moving to the lower north shore to settle in smaller luxury two and three bedroom apartments in suburbs such as Mosman.



TOP SYDNEY SUBURBS FOR NET OVERSEAS MIGRATION

Statistical Area	Net Internal Migration	Overall Population Change
Parramatta - Rosehill	2926	2036
Waterloo - Beaconsfield	1905	2764
Redfern - Chippendale	1671	1418
Sydney - Haymarket - The Rocks	1653	1328
Kingsford	1316	494
Pymont - Ultimo	1303	1006
Hurstville	1289	936
Canterbury (South) - Campsie	1286	934
Arncliffe - Bardwell Valley	1260	2007
Kensington (NSW)	1183	625

Source: ABS

Chippendale is a small inner city suburb located at the southern end of the CBD and adjoins Redfern to the south. The suburb was long known for being an older style run down location, however the area has been transformed in recent years, particularly since the opening of the Central Park development by Frasers Property and Sekisui House.



Central Park Sydney

Source: centralparksydney.com.au

Chatswood is a prime example of a suburb developed to meet the demands of these residents who desire central high density living with access to public transport.

At the 2016 ABS census, there were 8,617 residents in Chippendale with approximately 27% of people born in China and 21% of people born in Australia. In contrast, at the 2011 census, there were 4,057 residents, approximately 38% of which were born in Australia. During 2016 to 2017 the Chippendale and Redfern area saw a further net overseas migration of 6% (1,418 people) and this trend appears to be continuing.

A large portion of residents in Chippendale are also students drawn to the area by surrounding educational establishments such as the University of Technology Sydney, University of Sydney, University of Notre Dame Australia and TAFE campuses.

The essence of the area is changing to supply the demands of the increasing population of students and overseas migrants. This can be seen with the influx of cafés, restaurants and everyday services such as dry cleaning and medical centres.

There are some remaining sections of the suburb that still have original terrace style dwellings, however the majority of the suburb has been developed to provide high density style apartment living which is typically required by this younger demographic. Modern developments such as Central Park usually include common facilities such as swimming pools, gyms, communal areas and concierge services. Infrastructure and transport routes are established around here with Central train station and multiple bus stops being close by, as are educational facilities, the CBD and other services and amenities.

The suburb of Chatswood, on Sydney's lower north shore, has undergone major changes over the past decade. Chatswood is approximately ten kilometres north of the Sydney CBD and comprises a mix of major commercial development, high density residential development and surrounding detached residential housing on relatively large blocks of land.

Chatswood has a high percentage of Chinese residents, creating a prominent Chinese cultural community. This is especially evident around its CBD with a vast amount of Chinese businesses, Chinese restaurants and newly developed high-rise developments predominantly occupied by Chinese residents. Chatswood is a prime example of a suburb developed to meet the demands of these residents who desire central high density living with access to public transport. To meet these demands, we have seen a relatively recent major overhaul of Chatswood train station in conjunction with previously non-existent, high density residential development in and around Chatswood train station. In meeting the

3.1%
The estimated population growth in the Chatswood (East)-Artarmon area over 2016 to 2017.

3.6%
The estimated population growth in the Chatswood (West)-Lane Cove North area over 2016 to 2017.



demands of the demographic in Chatswood, we have seen an increase in population, primarily the consequence of a greater supply of residential units. As Chatswood has continued to develop, demand for housing has been driven not only by the improved infrastructure, but also the desire by the Chinese demographic to be within proximity of the familiarities of the Chinese culture, of which Chatswood has an abundance. According to the ABS, as at 31 August 2018, the estimated population growth in the Chatswood (East)-Artarmon area rose by 3.1% over 2016 to 2017. The estimated population growth in the Chatswood (West)-Lane Cove North area rose by 3.6% over 2016 to 2017.

Although we are currently seeing less residential development, infrastructure continues to improve to meet the population growth. In addition to the major overhaul of Chatswood train station as mentioned above, Chatswood has a brand new metro station, part of the Sydney Metro Northwest project, connecting Rouse Hill to Chatswood via Castle Hill and Epping. The completion of this long-awaited project opens up the southern section of Chatswood and we expect to see this area experience major development in the near future, compounding the already evident population growth in the area.



Chatswood Skyline

Source: Wikipedia

With Sydney's population expected to increase to around 6.5 million by 2036 (source: ABS), it is likely that net overseas migration will continue to be the major driver in this growth. This population growth will predominantly be in western Sydney but will also see some more established inner suburbs continue to experience urban consolidation through more unit development, as they continue to be the location of choice for those immigrating from overseas. This will continue to put further stress on roads, transport and services in established areas while newer areas will require new infrastructure.

Lismore

The usual resident population of Lismore in 2011 was 42,763 people. By 2016 the population was 43,135 showing a slight increase during the elapsed period. The following table outlines the migration patterns for Lismore from 2011 to 2016.

Migration between Lismore and other states and territories

LISMORE CITY

State / Territory	In migration	Out migration	Net migration
New South Wales	4,620	4,177	443
Victoria	275	444	-169
Queensland	1,281	2,179	-898
South Australia	77	36	41
Western Australia	140	112	28
Tasmania	55	63	-8
Northern Territory	104	84	20
Australian Capital Territory	41	77	-36
From Overseas	574		

Source: Australian Bureau of Statistics, Census of Population and Housing, 2016 (Usual Residence Data).

The following table indicates that the Lismore

unemployment rate has decreased in the period from 2011 to 2016.

Lismore City's building approvals are used as a leading indicator of the general level of residential development, economic activity, employment and investment. Residential building activity depends on many factors that vary with the state of the economy including interest rates, availability of mortgage funds, government spending and business investment. The following table and chart indicate a substantial increase in building approvals in the past three years relative to the years prior to 2015.

RESIDENTIAL BUILDING APPROVALS

Lismore City	Number		
	Year (ending June 30)	Houses	Other
2018-19 Jun FYTD	112	4	116
2017-18	103	47	150
2016-17	114	241	355
2015-16	62	122	184
2014-15	69	0	69
2013-14	64	8	72
2012-13	78	4	82

The statistics are an indication of a relatively stable local economy in the Lismore area with stable migration patterns, adjoining regions enjoying relatively solid growth and reasonable localised employment prospects.

The Lismore area is increasingly being viewed as a more affordable alternative as the coastal areas of Ballina, Lennox Head and Evans Head reach price points that are beyond the reach of many people.

Demonstrating this is a simple price point comparison of what \$500,000 can purchase in Goonellabah, a suburb of Lismore, compared with



EMPLOYMENT STATUS

Lismore City - Persons (Usual residence)	2016			2011			Change
Employment status	Number	%	Regional NSW %	Number	%	Regional NSW %	2011 to 2016
Employed	18,170	92.2	93.4	18,496	91.8	93.9	-326
Employed full-time	9,902	50.3	55.2	10,381	51.5	56.7	-479
Employed part-time	7,929	40.3	36.3	7,754	38.5	35.0	+175
Hours worked not stated	339	1.7	1.9	361	1.8	2.1	-22
Unemployed (Unemployment rate)	1,529	7.8	6.6	1,660	8.2	6.1	-131
Looking for full-time work	832	4.2	3.9	907	4.5	3.8	-75
Looking for part-time work	697	3.5	2.7	753	3.7	2.4	-56
Total labour force	19,699	100.0	100.0	20,156	100.0	100.0	-457

Source: Australian Bureau of Statistics, Census of Population and Housing 2011 and 2016.

Evans Head, a beachside town with a population of only 3,100 people.



30 James Rd, Goonellabah Source: RP Data Corelogic

30 James Road, Goonellabah is a well built, 2002, four- bedroom, three-bathroom, two level modern dwelling that sold very recently for \$500,000.



3 Anson Avenue, Evans Head Source: RP Data Corelogic

3 Anson Avenue, Evans Head is an older high set residence consisting of one bedroom plus two enclosed veranda or sleep outs, together with an open plan lounge, dining and kitchen. It has recently gone under contract for \$530,000.

Byron Bay

The Byron Shire has been under a significant increase in population over the past five to seven years, as national businesses over this time have shifted their focus and allowed employees to be able to roam, justify their presence using online working platforms and still be within a short flight back to headquarters, rather than holding all employees within a glass building in a CBD location.

The Byron Shire location provides good services for all of the above. The airports of Ballina and Coolangatta have made an easy transport route for these commuters whilst providing an idealic location for a work life balance. This has seen the coastal resort towns of Byron Bay, Suffolk Park, Lennox Head and the outer quaint townships of Bangalow, Federal and Mullumbimby targeted areas for interstate buyers from Melbourne and Sydney.

As these areas have been under pressure of rapid population growth, councils have been under pressure to provide more availability for building opportunities and therefore we have seen a significant roll out of vacant land to combat the rapid growth. Take up rates in these new developments (particularly the townships of Lennox Head and Skennars Head) has been extremely strong.

Along with new land developments, some localities have been earmarked for future commercial development to aid in meeting the needs of the increasing population. One example would be the Epiq Estate in Lennox Head where construction of a new commercial precinct located approximately two kilometres from the actual town centre has commenced and is due for completion in 2020.

There's no doubt that this population growth from interstate migration has put pressure on the

This has seen an increase in prices as stocks have remained limited particularly in the broad price bracket of \$850,000 to \$2 million.

price of real estate in these localities. Melbourne and Sydney buyers who have sold in those areas over the past few years (particularly before their downturns) have snapped up limited available stock in the built environment in all the coastal resort locations. This has seen an increase in prices as stocks have remained limited particularly in the broad price bracket of \$850,000 to \$2 million.

As these interstate markets have seen recent downturns, it is only in recent months (since the commencement of 2019) that the flow on effect into our market has seen a slight change in this price bracket. Time spent on market would be the first observation, while no significant change in price levels has occurred as stock levels have remained relatively low.

Casino/Kyogle

For the country towns of Casino and Kyogle and their surrounding rural localities, the primary reason for the influx (if any) of out of towners into the area is generally for employment or a change in lifestyle or semi-retirement.

The respective population figures for Casino (10,914) and Kyogle (2,751) remain static and any changes resulting from migrating into these areas is relatively small.

The prospect of employment opportunities always provides some cause of interest in the area. The abattoir in Casino has always been a mainstay for employment and the recent infrastructure spend to improve the Casino Saleyards into a modernized facility helps boost the profile of Casino as a rural service town and

the associated jobs that may flow from it within the agricultural sector.

The prospect of coal seam gas mining was somewhat lauded and welcomed in the area over 12 years ago as a boon for investment and employment in Casino and the surrounding towns. However, following more research and growing community disquiet about the effects of such mining practices, the mood soon turned sour and such promises of growth in this business took a proverbial tumble off the cliff.

Now there is the promising prospect of a medicinal cannabis facility to be created and developed in the Casino and Richmond Valley region which is touted to bring approximately 300 direct and indirect jobs into the region. Not so much simply a puff of smoke, but a decent shot in the arm for business opportunity and income generation... in a legal way.

In terms of people coming into the area for a lifestyle change, it is the relative affordability offered in Casino and Kyogle compared to other Northern Rivers towns. A quiet and private five acres with creek frontage and a decent three or four bedroom home for under \$550,000 and only five to 15 kilometres from Casino or Kyogle can be a draw card. It's the laid back life that a lot of busy and mid-life adults crave. Or, consider the young individual or couple moving into the area thanks to a new job. A reasonable house for under \$300,000 is not out of reach, with generally schools and all the usual town services nearby. No, it's not a one-bedroom unit in Manly overlooking the sea...but at least the rent or mortgage payments are not 99% of your take home pay!

In summary, the influx of out of towners into the regional and rural areas of Casino and Kyogle are unlikely to witness the manic buying and selling activity that can be experienced in the more popular coastal areas of say, Byron Bay, which is generally frequented by high net worth individuals with money to burn and who want the coastal lifestyle vibe.

Here in Casino and Kyogle it's more about the trees and land and the quiet that can be achieved at a reasonable price and minus the rat race hassle. And that sounds pretty cool.

Ballina

The Ballina Shire continues to see an increase in population growth, particularly concentrated within the coastal areas of Ballina, Skennars Head and Lennox Head. The estates of Ferngrove and Riveroaks in Ballina, Ballina Heights and Banyan Hill in Cumbalum, Epiq Estate in Lennox Head and most recently the Aureus Estate opposite Sharpes Beach at Skennars Head are catering to this population growth.

The sought after areas of the North Coast of New South Wales have traditionally attracted buyers from Sydney and Melbourne looking for a sea change or tree change. In more recent times, local agents active within the coastal areas of the Ballina Shire have reported a strong increase in Byron Bay residents looking to relocate south on the back of strong increases in value in Byron Bay.

Infrastructure projects catering for this population increase include upgrade works along the Coast Road between Lennox Head and Ballina which includes a recently completed roundabout at the Skennars Head Road intersection, a proposed roundabout at the Headlands Drive intersection and works have commenced for a footpath between Skennars Head

 *The prospect of employment opportunities always provides some cause of interest in the area.*



and Lennox Head. It is also proposed that River Street which is the main entry point into Ballina from the west is to be upgraded to four lanes.

Clarence Valley

The Clarence Valley, in particular Yamba, Maclean and Grafton, is seeing a continued increase in workforce due to the Pacific Highway upgrade and new Clarence Correctional Centre. These infrastructure works have drawn a workforce nationally and locally and brought many workers across state lines. However, this influx is likely to cease, or at least lose momentum as these works reach their completion. In saying that, some people who have temporarily worked in the region are looking at permanently relocating due to a new found love of the area and its prime beaches, river system and overall appeal.

Looking at another demographic, the Clarence Valley has long struggled to compete against larger cities, universities and broader travel endeavors to keep its young (school leaver age and young adult) demographic in the region. However, there is much being done to entice these groups to build the economy locally, although it continues to be a curse most rural areas endure.

Long term, these issues will likely remain and the short to medium term is predicted to be a time of change for the Valley, with its shifting workforce and continued beach appeal.

Coffs Harbour

To understand population movements within any region we must look to the census statistics to determine what type and amount of people are moving. Based on the statistics provided by the Coffs Harbour City Council website, population movements between 2011 and 2016 can be broken down as follows:

51.3% of people did not change address during this period, while 37.6% moved from elsewhere in Australia and 3% moved from overseas. A total of 14,142 people, or 54.6% of those who moved within Australia, moved within Coffs Harbour city.

From these basic statistics we can see the greatest population movement is from within Australia with only a small percentage of overseas immigration. We can break down this Australian migration further:

- ▶ the highest percentage of movement was from within New South Wales (net migration 1,865);
- ▶ net migration from Victoria was 182;
- ▶ Queensland's net migration was -849;
- ▶ the balance of 3,017 net migration came from all other states and territories.

Other points to consider when discussing migration are the age demographic, family structure and housing tenure (owner-occupied or rented) all of which have different property needs. Younger adults and renters are more likely to move more often, whilst owner-occupiers tend to stay in one place.

The age group with the highest net migration within Coffs Harbour are the 35 to 44 year olds and not surprisingly, the highest percentage leaving is the 18 to 24 years age group. This is a reflection of the younger population leaving for higher education or work opportunities, whilst the 35 to 44 year old are coming for the lifestyle benefits and lower cost of housing.

From these basic statistics, we can see that the greatest population movement is from within Australia, with only a small percentage of overseas immigration.

The next largest group to migrate are retirees (55 to 65 plus). Housing requirements for this sector cannot be stereotyped as this is a diverse market. Traditionally the 50 to 60 year sector were the empty nesters looking to downsize, however increasing property prices, living and education expenses, both the kids and grandma are staying at home with multiple generations living in one property.

What we can derive from the above is that the Coffs Coast region is experiencing a steady population growth although mainly in the 35 to 65 plus age group which has diverse property needs. These ages are generally families or retirees coming for the lifestyle benefits coupled with good availability of education, transport and medical facilities.

To cope with increasing population trends we require land to be developed which is well located to all these facilities. Not surprisingly, Coffs Harbour has experienced very strong capital growth and activity in the vacant land market over the recent boom period. There is never an oversupply in the market at any one time given the natural constraints of supply, however the increased demand over the past two to three years has seen values rise significantly. It has not been uncommon in developing estates such as North Sapphire Beach, Woolgoolga and Sandy Beach for a high proportion of sales to occur off the plan to either spec builders, owner-occupiers or investors, with values rising five to ten per cent as each stage becomes available for sale. Further expansion of large land tracts will be



required moving forward with several large en globo parcels earmarked for Sandy Beach to the north and Bonville to the south whilst the coastal township of Urunga will also see some major land being developed in coming years.

The other sector which requires development is aged care facilities. As noted in the population statistics a high percentage age group moving is 55 to 65 years and older, plus the fact that we are living longer and healthier has also changed the face of what is needed in our ageing years in terms of property requirements. So instead of looking for retirement homes at age 55, we are looking for property that will benefit the next stage of life. Traditionally this next stage was to downsize and look toward lower maintenance property whilst realising some equity from the family home to use for travel or extra living money. These buyers are typically looking for centralised property close to services and public transport.

Where we are seeing a real lack of property choice is in the 70 year plus bracket for those who can no longer live independently at home and are looking to move to an aged care facility. The waiting list for the available facilities within the region is forever growing with limited product available in comparison to demand. We have seen construction start recently on a \$100 million dollar aged care facility at Park Beach (Coffs Harbour) being an upmarket facility which will provide a 120-bed residential care facility and 183 self-contained dwellings which are very much lacking in the local market.

Housing requirements and an ageing population within the Coffs Harbour and surrounding regions area will be key issues in years to come.

Central Coast

The Central Coast is that region just to the north of the Sydney metropolitan area.

For generations, it used to be the place where people went for holidays or a weekend break - you know the place, an easy drive and an even easier place to relax. Seems almost everyone had a grandparent, auntie or uncle somewhere here with a sleepout to bunk down in for the weekend or holiday.

That used to be the case, except over the past 20 or so years the benefits available in the region have seen it become a permanent place to live for many.

Two factors led to this - firstly the Sydney/Newcastle Tollway (later the F3 Freeway and now the M1 Motorway) and secondly the affordability of property.

Today, the Central Coast region is viewed by many as an extension of Sydney's north.

The topic this month is where the people are coming from, and in our daily lives of valuing property, when we go to a property under contract, we ask the selling agent whether the buyer is local or an out of towners. After years of hearing the answers, and in no particular order, it seems buyers are attracted to:

- a) New residential unit developments. This is particularly the case in the Gosford CBD and hospital precinct. From the sale contracts we are seeing, there are a few locals buying for investment purposes, but the majority of purchasers are Sydney based looking for investment properties.

At the moment, a close watch is recommended for new units as there is an oversupply situation arising. Prices for new units can be seen in the mid \$400,000s and rising to well over the \$1 million mark. Most new units were purchased off the plan in 2016 and 2017 with little to no capital gain seen for the most part when valued in the current market and in some instances, losses are being seen.

- b) New residential estates. Particular attention is given to the new communities in Hamlyn Terrace, Woongarah and Wadalba. These are suburbs to the northern end of the region and have been expanding for many years now, but still have a lot of land available for further development. The attraction here is new dwellings that are affordable and functional within easy access of the M1 Motorway and providing entry to the agreeable lifestyle offered by the region.

Although there are a few investor purchasers, the majority are those looking to occupy after leaving the Sydney market where affordability has become a real challenge for many.

House and land packages are popular in these areas and we see pretty good value in this product, in many cases between \$450,000 and \$600,000 depending on dwelling and land size, although we have seen some inexplicable variances in sale prices, so we do recommend a good level of research be carried out before committing to a purchase.

- c) The other property type targeted by out of towners is the weekender property. Again, we

 *Today, the Central Coast region is viewed by many as an extension of Sydney's north.*



see a majority of purchasers of these properties coming from Sydney. These are people in the fortunate position of holding a property in Sydney and the ability to have a weekend on the coast. Most purchasers target the beach or other waterfront areas and this can be anywhere from Patonga, Pearl Beach, MacMasters Beach, Avoca Beach, Terrigal, Toowoong Bay to Blue Bay.

Property types are houses in the plus \$2 million range (much higher for beachfronts) or units with prices paid being dependent on location or view, but usually upwards of \$700,000. They will usually be older, established properties, although there are several new unit developments in Terrigal which Sydney buyers are finding attractive to either live in or use for investment purposes.

These are the main properties we see out of towners being drawn to. There are other locations and property types seeing some interest from out of towners, but less so than those mentioned above.

As mentioned, the majority of new buyers and residents originate from the Sydney market where affordability levels are such that they are leaving it. Occasionally, we see buyers from other regions and the odd family moving here from overseas, but not in great numbers. Similarly, like many other regions, we saw quite a number of Chinese nationals buying in the region a few years back, but that has almost ceased now.

The not so surprising fact of Sydneysiders buying into the region raises the question of where are the local sellers going? Well, we see two things happening with them. They are moving further north - Queensland or the far north coast of New South Wales seem to be the popular choices - or alternatively, they are upgrading to superior

properties within the region, in many cases to the next suburb or just around the corner from where they are.

It's a funny period in the region's growth. We see the locals shaking their heads in disbelief at some of the prices paid by Sydneysiders, while at the same time the Sydneysiders, being used to Sydney prices, struggle to contain their joy at securing a property at such a bargain price.

The region's progression for the next generation of property owners will be inevitable and very interesting. New needs, wants and ideas will dictate the future of the region and while contentious choices by our decision makers are nothing new, the now and future generations are bound to test them even more. We hear of many proposals for new or expanded business districts and anyone familiar with the region will appreciate that proposers of expansion have rarely enjoyed an easy journey to realisation of their proposals by the decision makers, backed by the many interest (and very vocal) groups.

Mid North Coast/Port Macquarie

Port Macquarie has always been an area for population growth and as at 2018, had a population of 46,447, being the ninth most populous place in New South Wales.

Over the past two years, we have seen building development occurring in the retirement age group with two new retirement nursing home expansions and a new retirement village south of Port Macquarie. This in turn has produced an on flow effect and we have seen a rise in older original properties being placed on the market.

The outer fringe suburbs of Port Macquarie have seen extensive residential development with many developers commenting on a 50/50 mix of locals

and out of towners purchasing new homes. Port Macquarie having a high unemployment rate has seen an increase in development of educational and medical infrastructure. This in turn has attracted a middle class- out of town population to the area and has assisted with neutralising the downturn that has been felt across other areas, producing a stable property market.

According to census, the main occupations of people living in Port Macquarie are professionals (21.9%), technicians and trades workers (13.9%), clerical and administrative workers (13.8%), community and personal services workers (13.1%) and sales workers (11.4%).

The main industry people from Port Macquarie work in is hospitals (except psychiatric hospitals) at 5.2%. Other major industries of employment include aged care residential services (3.6%), cafes and restaurants (2.9%), secondary education (2.9%) and electricity distribution (2.7%).

The property market in Port Macquarie has also been affected by national and local politics. The federal and state elections in the first half of 2019 caused a slowing in the property market and the outer fringes subdivisions were the first to be affected by a slowdown in sales and consequently a reduction in some land prices. Since then we have started to see a slow increase in land sales and construction of new residential dwellings.



Port Macquarie with a population of 46,447 (2018) is the ninth most populous place in New South Wales.



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Port Macquarie-Hastings Council area	Number			Annual change		
	Houses	Other	Total	Houses	Other	Total
Year (ending June 30)						
2018-19 Jun FYTD	453	232	685	-	-	-
2017-18	551	116	667	+55	-100	-45
2016-17	496	216	712	+20	+60	+80
2015-16	476	156	632	+60	+6	+66

Source: Australian Bureau of Statistics, Building Approvals, Australia (8731.0). Compiled and presented in profile.id by .id, the population experts

Local politics have also affected the property market where pockets of areas have been affected by local council decisions such as the Orbital Road project. This local issue and the unknown designated routes has affected local sales in and around Clifton, Fernhill Road, Lake Innes and Greenmeadows. The possibility of an unknown amount of properties to be compulsorily acquired for the project raises the question of their ability to be sold at a true market value.

Whilst the Port Macquarie market has been somewhat sheltered from the downturn felt in metropolitan areas, other local areas such as Taree and Kempsey have not been as fortunate. with a drop in market values seen in these areas.

Newcastle

Whilst pondering this month's topic about population movements in our respective valuation regions, a news article came across this particular desk speculating on the expected population growth of Newcastle by 2056 as determined by the Regional Population Growth: Are we Ready? This report was completed by the University of South Australia and Southern Cross University so you know it's going to have the stats and the best buzzwords such as "dispersed regional growth" and "future population settlement patterns", but interestingly, the article spoke of Newcastle being

conveniently located within close proximity to catch the regional growth overflow from Sydney. The article goes on to explain that large capital cities such as Sydney will become more congested in the future, with even more unaffordable living and housing conditions. As a result people generally start looking at other options away from these highly populated cities.

There's no need to wait for the year 2056 - we have already been seeing many new residents moving to our region in search of the easier lifestyle, more affordable housing and much less time sitting in traffic. There are numerous new Novocastrian residents who have moved from Sydney and we can quote them by saying they aren't ever leaving our region.

So with this new increase of residents to the area - where are the current residents moving to? We've seen much movement around Lake Macquarie with many older residents selling up and moving on to new adventures. Some are buying smaller properties in the same suburbs, others are moving closer to family and some are even buying into the new retirement villages in the area with all the mod-cons nearby for convenience.

On a recent valuation inspection we came across the most delightful retired couple. They were selling out and moving north to enjoy the years to come.

Their property had sold fairly quickly and they were packed and ready to move to Tea Gardens (only 50 minutes north of Newcastle).

In this area of Tea Gardens, the predominant age group is 70 to 79 years and the current median house price is \$620,000. The close by neighbouring suburb of Hawks Nest has enticed the younger, slightly more rowdy crowd, with the predominant age group at 60 to 69 years and the current median house price is \$560,000.

A four-bedroom, two-bathroom and two-car garage house in Tea Gardens sold for \$555,000 in June 2019. This property is modern, easy to look after, is within a close distance of the local shopping centre plus there's plenty of great fishing locations nearby.



Tea Gardens house sold for \$555,000 in June 2019 Source: RP Data

The suburbs surrounding Lake Macquarie are much sought after by Sydneysiders. One interesting factor we've uncovered recently is that many of these Lake Macquarie properties are selling to Sydney investors who are utilising these properties as weekenders.

Overall, with the new infrastructure developments recently seen in Newcastle including the new Transport Interchange, the shiny new trams cruising up Hunter Street, upgrades to Newcastle Airport to include direct flights to New Zealand as

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well as plenty of new apartment developments, we can confidently say that Newcastle is well positioned for the future.

Albury

The prosperity of any regional city or area depends heavily on people movement generally and population growth specifically. Regional cities need to work harder than metropolitan cities to attract new residents from other cities, states or countries. The drivers of migration to regional areas are compelling and topical and feature on national news daily: housing affordability and lifestyle.

The deal breaker will always be employment; affordability and lifestyle go out the window if you don't have a job. Figures available from 2016 show the Albury area unemployment rate was 6.5% against a national figure of 6.9%. In the 2016 census, health care and social assistance (14.4%) represented the largest industry of employment, followed by education and training (9.5%), retail trade (10.9%), manufacturing (8.9%) and construction (9%), then public administration (7.1%), accommodation and food services (7.8%) and then transport, postal and warehousing services (4.7%) and professional, scientific and technical services (4.2%).

In 2018, the population of the Albury area (with a land area of just under 560,000 hectares) was



There is not really one property type or locality that stands alone; the entire area benefits from people moving to the country.

64,188; in 2013 it was 60,371, so there has been an increase of 6.3% or 3,817 people over five years. This figure equates to an average of 763 per annum, with approximately 40% from internal migration and 60% from overseas migration. Not surprisingly, the construction industry as an employer represents 9% of the work force, which has been required with 2,273 new house approvals in the five years to June 2018 and 328 new units in the same time period. If we were calculating that the new residents were only occupying the new dwellings or units, the average household size would be 1.5 persons, well below the Albury area average house size in 2016 of 2.4 which was lower than the national average of 2.6 in 2016 (ABS Albury SA3 10901).

In terms of the property market and the impact of out of towners, we need people to keep moving to regional cities and towns and the Albury area is no different in this regard. The Albury area is fortunate to be able to canvass Sydney, Melbourne and Canberra as potential population growth sources and due to housing affordability and a large stock of different property types, market activity across the area is promising. Albury-Wodonga is a regional city of approximately 105,000 people. With Albury's population in 2018 being 64,188 and Wodonga's 41,429 (source: ABS), it is a comprehensive regional area and Albury is well placed to enjoy the benefits of the burgeoning Victorian population along with the sustained growth seen in Wodonga.

There is not really one property type or locality that stands alone. The entire area benefits from

people moving to the country and this holistic approach needs to be fostered so all parts of the property market and the local economy can enjoy a vibrant regional experience. There are few factors stronger than affordability and lifestyle in a property market. These drivers motivate people to act which means people want to live, work and invest in an area offering these choices. People moving internally within an area do so to upgrade, downsize or aspire to owning some land. People moving from capital cities can afford to push the local property market higher and they have been very active in central Albury and also in the high end rural lifestyle markets. The challenge is striking a balance so affordability for newcomers does not completely diminish the affordability for existing residents starting or continuing their property experience.

Tamworth

Over the past five years, Tamworth has seen an average population growth of roughly 1% per annum, with the current population sitting around 62,000. This growth is predominantly locally driven with few residents moving away each year, and those who do are quickly replaced by those looking for a cheaper alternative to the major cities. Tamworth is an attractive option for those who feel priced out of the major cities with a range of housing options, jobs to pay for them and all the niceties offered by many larger cities, with the only downfall being the lack of a beach.

The most noticeably transient demographic for Tamworth is the 20 to 35 year olds. Many



of these residents come to Tamworth for work in either the agricultural, industrial, health or professional sectors. However once they have spent a few years in the town, completed training, achieved qualifications or climbed the corporate ladder as they say, we see them start to drift away from Tamworth to chase bigger goals in the larger cities.

The effect of this steady but constant growth can be seen in the number of new housing developments located around the Tamworth CBD, with the city growing in all directions. For those who move from the much higher priced cities, it becomes a very attractive option to buy land and build a brand new home for as little as \$400,000 for a four-bedroom, two-bathroom home, compared to what they can get for similar money elsewhere.

Goulburn

With the new residential developments coming online in the area over the last few years, we have seen an influx of various out of towners moving to the area. Situated between both Canberra and the Southern Highlands, the market has become increasingly popular for commuters seeing the region as an affordable lifestyle alternative due to excellent proximity to the Federal and Hume Highways.

Being located only an hour north-east of Canberra city and Canberra housing becoming further out of reach for young families, the Goulburn region has continued to transform as we see a broadening purchaser cohort comprising first home buyers, investors and more young families moving to the area. Brand new fully detached homes starting from \$450,000 and established infrastructure already in place are motivating the shift from the ACT.

Marulan has seen an inflow of Southern Highland residents moving to the area, again appealing to commuters, first home buyers and logistics workers due to excellent proximity to the Hume Highway, the Sydney CBD being under two hours away and new infrastructure such as the opening of the town's first supermarket, IGA.

Southern Highlands

The thriving population of the Southern Highlands demonstrates the diversity of the local economy that is likely to continue as the area continues its transition from a rural, retiree location to a dormitory suburb of Sydney, being an increasingly popular location for young families and first home buyers looking for a real lifestyle alternative to an increasingly congested Sydney.

The more recent influx of families is particularly evident in the northern suburbs of Mittagong due to several large developments in the suburb of Renwick having been completed over the past five years coupled with increasingly flexible work arrangements providing the ability for people to work remotely. The most recent census data showed that the Southern Highlands was the third fastest growing regional area in New South Wales behind Maitland and Port Macquarie, with a 7.8% population increase from the previous census.

This influx in population has also recently seen some evidence of an oversupply of vacant land in the region due to several large scale developments coming online towards the very peak of the market. This has resulted in some declining sale prices within these new estates in the short term.

Overall the longer term outlook for the region remains positive as the population continues to grow and the state sees more large scale infrastructure coming on line for Sydney's ever

expanding population, particularly in the south-western corridor spreading down toward the borders of the Southern Highlands.

Wollongong

Out of towners are drawn to Wollongong given its proximity to Sydney and its relative affordability compared to Sydney's property markets, its coastal lifestyle, its transforming employment opportunities and its well-regarded university.

Significant transformation has taken place in the city in the past five to ten years with a shift towards apartment living and improved transport links to the wider region.

The ABS advises that approximately 20% of Wollongong workers commute at least 50 kilometers to work, which is one of the highest rates in the state. First home buyers priced out of the Sydney market have taken to Wollongong and signed up for the commute. At its shortest, Helensburgh is a 50 minute train ride to Central and from Wollongong it is a 90 minute journey. Given that a lot of Sydney's suburbs experience hour long commutes to the CBD, Wollongong's more affordable property prices hold appeal. Similarly, second or third home buyers and downsizers are able to

cash in on their large equity gains in their Sydney properties and get more bang for their buck in the Wollongong market.



50km

The ABS advises that approximately 20% of **Wollongong** workers commute at least 50 kilometres to work.



Suburbs north of Wollongong hold most appeal to those moving down from Sydney and local agents will advise that the majority of Wollongong properties with a price tag over \$2 million will have a large amount of interest from Sydney based purchasers.

To those who are looking to avoid the commute, Wollongong's employment opportunities have been shifting away from its coal mining heritage with a rise in health and social services, knowledge services and advanced manufacturing. Positions are now available in Wollongong that were previously unheard of during a time when a commute to Sydney for skilled employees was mandatory.

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Inner and Outer North

Population movement in the outer suburbs has changed drastically over the past five years. In suburbs such as Craigieburn, the population has increased by 53.4% with the total population increasing from 32,634 people to 50,091. Compare this with suburbs in the inner-city such as Fitzroy, where the population has grown by 11.1%, with the total population increasing from 10,101 to 11,255. This massive growth can be attributed to the continual development and en globo land releases in outer suburbs which is helping accommodate young families looking for a cheaper alternative for housing. Looking to the future, experts are expecting the Craigieburn population to grow by another 36.88% from 2019 to 2041, resulting in a total population of 83,913. This expected growth raises the question of where will everyone live?

The predicted forecasts raise more concern within the city of Yarra, which takes in the inner-city suburbs of Princes Hill, Abbotsford, Clifton Hill and Richmond with population in the area expected to rise over 57.13% between 2019 and 2041. Accommodation for the expected 57,302 people is also a concern.

Breaking down the area, the primary resident group in the City of Yarra has recently moved from

the modest working-class family (typically with a low household income) to a high-demand lifestyle migrant area attracting young professionals and students. This change is driven by factors such as development growth, migration patterns and housing supply. Whilst the above factors also affect the outer suburbs, estate development has caused greater shockwaves to the city's outer ring.

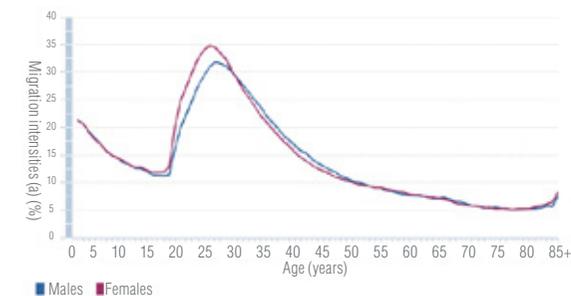
Looking at these suburbs, the continual growth will inevitably result in more estate development with the main source of these additional dwellings and households coming from greenfield opportunities in areas such as Epping North, Doreen and Mernda. A significant amount of development is also expected to take place near strategic sites such as University Hill in Bundoora and the Plenty Valley Town Centre in South Morang, with more apartment construction expected to take place. This growth will result in an overall increase in the median house price in areas such as Craigieburn (\$536,000) as well as the median rental price per week (\$400.00). Not only will this raise development competition in the area, but surrounding suburbs further out such as Kalkallo and Donnybrook will see an increase in population size.

East and Outer East

The number of individuals who choose to migrate within Australia ranks in the top 20% in the world.

While it is hard to measure with absolute accuracy as many countries measure internal migration slightly differently, Australia has shown to the rest of the world how mobile its population is. This is a testament to the opportunities and freedoms granted to all who choose to seek a better life for themselves or their families, whether it is for lifestyle, job prospects or a combination of the two. Australia regularly has a changing population and the demographics of certain cities and towns are redistributed as individuals cater for their wants and needs. This is especially prevalent for young adults between the ages of 20-35 (source: www.abs.gov.au (2018)).

Migration intensity (one year) (a) by age & sex, 2016



Source: www.abs.gov.au (2018)

In 2016, the internal migration intensity of women aged 25 years old was recorded at 35%, while men aged 25 years old was recorded at 32%. This translates to one in three men and women aged 25 moving location domestically in 2016. Whilst this statistic would give hope to parents waiting eagerly for their children to leave home,

Population movement in the outer suburbs has changed drastically over the past five years. In suburbs such as Craigieburn, population growth has increased by 53.4%.



it highlights opportunity and promise for the next generation looking to seek employment by moving out of their homes to fresh locations whether it be the next suburb, the other side of the city or interstate.

In the City of Maroondah which takes in suburbs such as Ringwood, Croydon, Heathmont and Bayswater North, a higher proportion of people did not change address (59.2%), while a lower (31.1%) moved from elsewhere in Australia and 4.8% moved from overseas. A total of 10,318 people, or 32.2% of those who moved within Australia moved within the City of Maroondah.

Maroondah covers the outer east region of Melbourne. Ringwood is located 23 kilometres east of the CBD of Melbourne. The largest portion of migration to the area was international residents. The main driver for international migrants to purchase within this area is affordable property, leafy suburbs, access to a major shopping district (Eastland) and direct freeway access leading back to the city and south to the Mornington Peninsula via the Eastlink toll roads.

The municipalities of Boroondara, Manningham and Maroondah had their largest growth in migration between 2011 and 2016 from overseas with 15,045, 8,428 and 4,903 respectively. This is representative of a desire to live in the east as an established family to have access to good schooling options, transport and live a well-rounded lifestyle. International interest in the area shows how borderless our city is and the accepting culture we represent. This encourages domestic

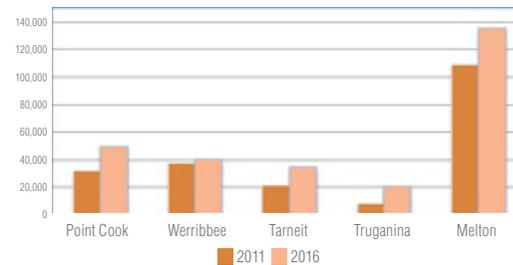
The municipalities of Boroondara, Manningham and Maroondah had their largest growth in migration between 2011 and 2016 from overseas, with 15,045, 8428 and 4903 respectively.

and international interest to live in Melbourne, enhancing the rich multi-culture we have as a city and furthermore, a nation.

Western Suburbs

Melbourne's west has been a story of growth in recent years. New greenfield offerings in the cities of Wyndham and Melton stimulated a large population influx, emerging new community centres and population centroids further out of traditional demographic hubs of metropolitan Melbourne.

Population influx by suburb



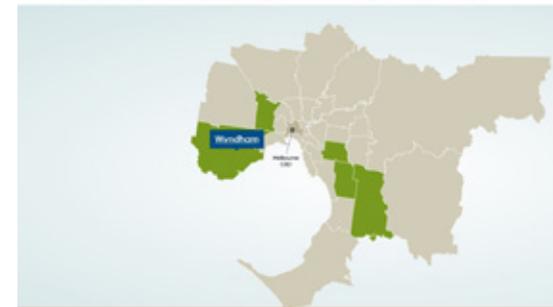
Source: ABS (2019)

Affordability is a key factor attracting home buyers to the developing suburbs of Melbourne. With metropolitan Melbourne's median house price recording \$785,000, there are still several suburbs in the west where buyers can get a foot in the door for under \$400,000.

New developing areas such as the cities of Brimbank and Wyndham show a large share of emerging cultural communities including those from India, the Philippines, Iraq and Sri-Lanka.

According to census data, Indians show a definite preference for housing projects located in the suburbs of Point Cook, Tarneit, Truganina and Rockbank. The choice of the location is a practical and pragmatic housing decision as the greenfield offerings remain one of the most affordable across Melbourne.

Popular regions for Melbourne's Indian community

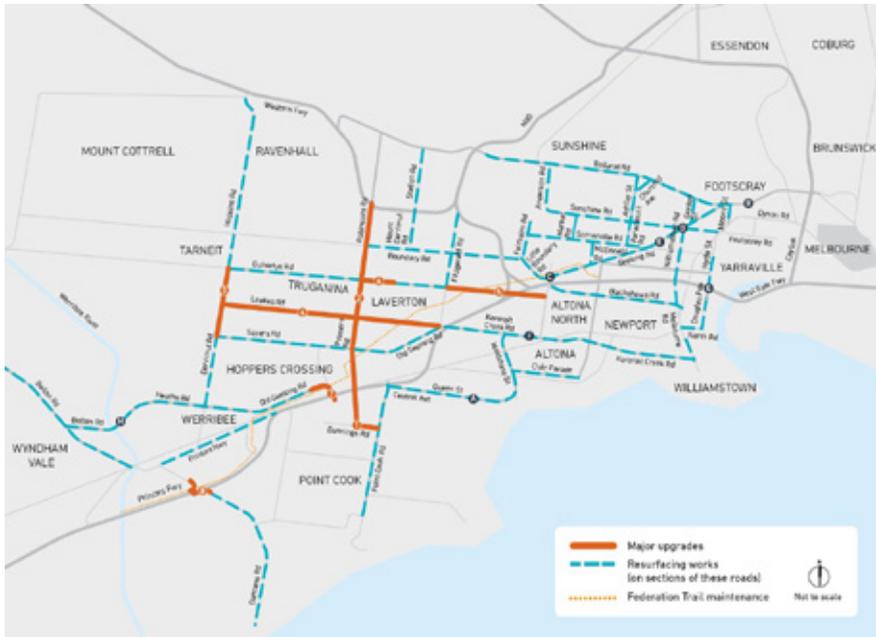


Source: Live in Melbourne

There are specific locations in the developing western suburbs considered desirable for housing, being Ashley Gardens Estate in Hoppers Crossing and Wyndham Waters in Williams Landing. The proximity to transport, easy access to freeways and proximity to shopping, educational and leisure centres attract buyers who look for functional neighborhoods. The high demand has impacted prices, moving prices paid above the median house price for the locality.

Major western region infrastructure upgrades, including transport projects and roads upgrade, construction of pedestrian overpasses and paths for cyclists, are underway and due for completion in 2021. The much-anticipated upgrade of the western road network gives local businesses opportunities for growth and access to places of employment.





Major Road Upgrades

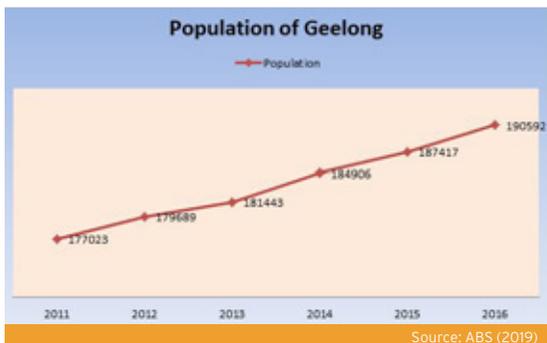
- 1 Dunnings Road and Palmers Road (Point Cook), Point Cook Road to Princes Freeway
- 2 Palmers Road (Truganina), Princes Freeway to Western Freeway
- 3 Derrimat Road (Tarnet), Sayers Road to Doherty's Road
- 4 Leakes Road (Truganina), Fitzgerald Road to Derrimat Road
- 5 Doherty's Road (Laverton North), Fitzgerald Road to Grievie Parade
- 6 Doherty's Road (Truganina), Foundation Road to Palmers Road
- 7 Forsyth Road interchange (Hoppers Crossing)
- 8 Duncans Road interchange (Werribee)

Structure Works

- A Queen Street Bridge
- B Ballarat Road Bridge
- C Geelong Road Bridge over Karoroit Creek
- D Geelong Road Bridge over Cross Street
- E Geelong Road Pedestrian Overpass
- F Karoroit Creek Road Bridge
- G Hyde Street Bridge
- H Heaths Road Culvert

Geelong

According to Australian census data, Geelong's population is continually growing in size. Looking back on the last eight years of Geelong's population change to 2016, the growth rate was very strong, ranging annually from 1% to 2%.



Geelong's demographic profile continues to diversify. In 2011, the top five countries of birth for people in Geelong apart from Australia were England, Italy, New Zealand and Croatia. In 2016, the structure of the top five countries of birth had changed with India taking fourth place in the chart and making up almost 1% of the total population of Geelong. Those born in South-East, North-East Asia, Southern and Central Asia have increased significantly in numbers and percentage not only in Geelong but across Melbourne and Victoria as a result of overseas migration.

Geelong is characterised by the recently revitalised Waterfront precinct and newer residential areas of Geelong further out of the city's CBD. Geelong is still affordable for buyers representing strong opportunities for investors and owner-occupiers. Though the median house price for greater Geelong

as at June 2019 was between \$400,000 and \$600,000, buyers could still get a near-new, three or four-bedroom house for close to \$400,000.



\$406,000, 17 Celesta Rd, Lara Source: Real Estate (2019)



\$456,000, 6 Chucklecreek Lane, Armstrong Creek Source: Real Estate (2019)

The recent local infrastructure projects including an extension of railways, continuous improvement of Geelong's activity centres together with Geelong based Deakin University community operations undoubtedly influence the growth of the local economy and stimulate potential property market participants.

South-Eastern Suburbs

The outer south-eastern suburbs (OSES) have been a culturally diverse region of Victoria's rapid population growth for several years now, with newly settling migrant families taking advantage of the affordability of land prices in the area representing approximately 20% of the





less than ten minutes commuting to work and being able to buy a good standard home for less than \$500,000 is an attractive proposition, and while many of our young folk head to a city to attend university or seek alternative employment opportunities, a reasonable percentage eventually return, often with young families, in order to be closer to family or attracted by the regional lifestyle.

The recent growth in the area planted to horticultural crops, in particular table grapes, has created a need for additional seasonal labour, which we expect to be largely met from overseas workers and recently arrived migrants. Mildura has a proud history of settling migrants, with many people from Mediterranean countries arriving here in the 1950s. More recently we have seen an influx of people from Pacific islands, India, Iraq and Afghanistan, knowing they can obtain work for most of the year. Finding suitable accommodation is a challenge for these workers and there is a growing need to build affordable accommodation, either on farms or in town. There is virtually no cheap housing now available for rent at present.

This shortage of affordable accommodation has been evident for well over a decade in the nearby town of Robinvale, located approximately 85 kilometres south-east of Mildura, where a large percentage of Australia's table grapes are grown. Robinvale has been in the news lately, following the release of an independent population review commissioned by Swan Hill Council in order to help lobby for appropriate funding for health and other services in the town.

This review, undertaken by Geografia, relied primarily on eftpos records to match the number of regular financial transactions at local businesses. They also cross-checked their

population of the cities of Casey and Cardinia. The population has been steadily growing in the OSES at approximately 6.5% year-on-year for the preceding three years, underpinned by Victoria's robust migration both domestically and internationally. The age group which dominates this area is 25 to 34 year olds. This is generally the period where couples are starting families and are forced further out of the centre of Melbourne due to the affordability issues faced within the inner south-eastern suburbs. The population of the outer south-east corridor is expected to continue to grow, being underpinned by housing affordability and Melbourne's strong migration.

Melbourne's Central Business District (CBD) and inner ring have always attracted interstate and international buyers who have been priced out of their respective markets. This is especially the case with Chinese occupants and purchasers, comprising 25% of the population within Melbourne's CBD as of 2017, whilst only 14.5% of residents living in

the CBD were born in Australia. Interest reached a peak in 2017 and somewhat subsided throughout 2018 due to legislative changes in Australia as well as Chinese capital controls and taxes which have restricted demand in the past 12 to 24 months. We expect the population within Melbourne's inner ring to continue to rise.

Mildura

Mildura's population is expected to continue growing at around 1% per annum, with this growth coming from people moving here for either work or retirement. Unfortunately, some of this growth will be at the expense of smaller towns and rural communities within a 300 kilometre radius, with both younger and older people drawn to the better employment, lifestyle and health facilities on offer in Mildura.

We also expect to see some people moving here from capital cities, drawn by the cheaper cost of living and less congestion. The idea of spending



population estimate by comparing domestic water consumption figures. Geografia's data suggests the real population of Robinvale is between 7,205 and 7,725, which is more than double the 2016 ABS census figure of 3,316. This highlights the difficulty in accurately measuring the population in some locations.

Shepparton

The Goulburn Valley Health redevelopment is well underway as the major infrastructure upgrade for the region. The hospital upgrade is said to require an additional 600 jobs in the near future and there is a fair amount of buzz amongst the surrounding estates. The jobs require a range in skill sets and pay scales, as will the properties that these people and their families require. There is no doubt that this will draw people and families from across the state and possibly the country.

As it currently stands, the rental market is very tight with a number of large real estate agencies quoting vacancy rates close to 1%. Houses in Shepparton are in relatively short supply as it is and that is before the jobs are advertised for the hospital. There are enough new land subdivisions on offer from developers for our city to continue to grow, however we are already in a building boom and building companies will



600

jobs in the near future with the hospital upgrade.

most likely require additional trades to keep up with demand.

Many out of town investors are still being drawn to the Shepparton region because of the strong rental yields exhibited by the sub-\$300,000 market, of which most appear to be investment properties merely changing hands, rather than an influx of rental stock. There are still a number of former housing commission properties that are being sold with yields up around 7.5% to 8% with tenants in place. Typically, these properties don't last more than a fortnight on the market.

Month in Review
September 2019



RESIDENTIAL

The rental market is very tight with a number of large real estate agencies quoting vacancy rates close to 1%.

Queensland

Brisbane

First, a bit of a history lesson with help from the ABS's Net Interstate Migration (NIM) statistics.

Brisbane and its surrounds have traditionally seen property price movements sync to the number of interstate residents looking to make our little piece of Australia their new home.

A great example was in the early 2000s. During hot price growth runs throughout 2002 and 2003, we became a very cool destination for a number of impressive industries. Driven by a rise in mining activity, our city was the go-to capital for major operators who could set up head offices within an easy FIFO-style commute of their new operations.

This period also saw other big-time businesses set up in Queensland. For example, Virgin Australia's operations were a major boon for the political forces in south-east Queensland around this period.

All this meant there were jobs for new Queenslanders willing to don the maroon jersey come State Of Origin or pledge allegiance to support the Lions in winning a fourth straight premiership.

During this period, we were enjoying NIM figures of around 37,000 people per year.

Come price growth around 2007 and things were a little less convincing. Certainly, the mining boom was still in full swing but underlying employment opportunities for those who followed were a little

This tide of new residents heading coastward is turning somewhat as more choose to stay in Brisbane and enjoy it's growing cosmopolitan lifestyle attractions.

tighter. Yes, property prices rose, but in a less convincing fashion and NIM was tracking at around 22,000 persons per year.

Post the financial horrors of the 2008 GFC, along with the natural disaster that was the 2011 flood event, Brisbane took a hit. Many of the financial and support service industry jobs were now Sydney or Melbourne centric. Our NIM figures from 2009 to 2015 ranged between 5,000 and 10,000 persons each year... and property prices were floundering a bit.

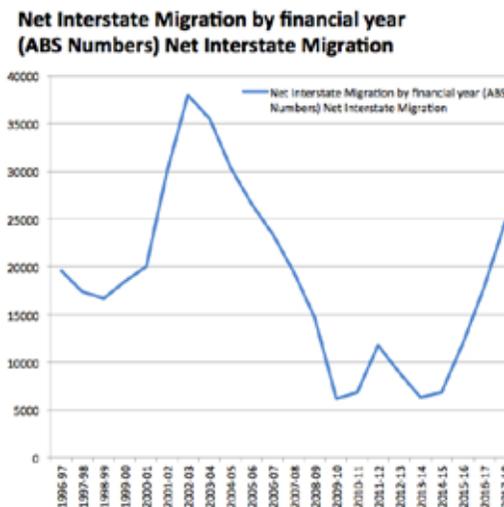
This long-winded lesson on the past is all to say, things are now on the up.

The NIM has been steadily rising from 15,000 in 2016 to just under 24,000 in 2018. The next lot of results in 2019 are expected to be even higher.

What we hope this time around is that those out of towners attracted to the region by affordability and lifestyle benefits, will be supported by jobs growth and infrastructure projects. While there are certainly a number of exciting projects on the books in terms of infrastructure, a pick up in employment would go a long way to building economic confidence.

What was noticed throughout 2017 and 2018 was the number of new residents coming from New South Wales and Victoria to Brisbane and then choosing to shift away to the Sunshine Coast and Gold Coast. Many of these across-the-border migrants were cashed up after selling their properties during the southern price boom and could now choose to buy a home near the beach for an excellent price.

A rise in the ability of professionals to work remotely has also played its part. Those white-collar workers and business owners who simply need access to a decent internet connection, and perhaps airport facilities for quick interstate



trips, to service their clients were on a high. This demographic could choose a location based on lifestyle rather than employment opportunities.

This tide of new residents heading coastward is turning somewhat as more choose to stay in Brisbane and enjoy its growing cosmopolitan lifestyle attractions.

Of late, we've experienced some strengthening in the upper price sector from these new residents. The price point for ultra-prestige homes in Brisbane is a long way under those in Sydney, so the price of our very best housing is a temptation many can't refuse.

Of late, however, has been a more broad-based appeal for Brisbane housing. Many of those Sydney and Melbourne residents who just can't stand the costs associated with living in these population hot spots are joining us in the north. Best of all, they are pocketing a little extra equity after selling their modest homes (or, alternatively, saving on rent) and coming to Queensland.

So, what's the upside?

Well... it looks good for Brisbane. While we continue to have a quietly confident outlook for our city, with steady growth that will provide excellent long-term results for property owners, we also expect our NIM numbers to continue rising. Couple that with more work opportunities and a (hopefully) overall strengthening state economy, and it'd be fair to say that those who purchase in 2019 will look back in ten years and thank their stars they acted.

Gold Coast

Gold Coast West and Hinterland

To the west of the glitter strip of high rise units, canal estates and beaches is the hinterland of the Gold Coast and the Scenic Rim. For many

Of note is the growing trend in these new acreage estates of extended families taking up residence in purpose-built dual living houses.

years these areas have contained large greenfied sites ripe for subdivision into housing for the economically displaced. As housing costs on the Gold Coast and in Brisbane have been driving upward, those on a limited budget were forced away from increasingly expensive home ground and had to look at options further afield in order to take their first step on the property ladder.

A brief history lesson is required for some context. In the early 1990s, the offerings of housing in the southern extremities of Brisbane around localities such as Jimboomba and Logan Village consisted of new acreage estates (too expensive for developers to build in sewer and water infrastructure for such remote locations back then) which set buyers back a cool \$50,000 to \$60,000 for 4,000 square metres or so of land. (The current price for similar land is now getting awfully close to \$300,000). Toss in a relaxed covenant allowing modest sized houses and your desperate first home buyer could be all in on a new house for around \$140,000 to \$160,000. Sounds too good to be true right? Well, in the early 1990s, Jimboomba and Logan Village had very little to offer in the way of schools, shops, or services. Acreage estates were the norm back then.

Fast forward to 2019 and with population and price pressure continuing to grow apace, the market for housing in the Jimboomba and Logan Village area has split in two directions. Where you read Jimboomba and Logan Village, include the now developing areas of Flagstone, Yarrabilba

and Gleneagle. With increasing population in the area, infrastructure has followed in the form of large supermarkets, P-12 schooling including private schools and some good local employment opportunities.

How has the housing market split in two directions? First home buyers and now investors are being catered for in new, master planned estates such as Yarrabilba which look, more or less, like any other new estate on the outer fringe of any large city in Australia. What is interesting though is how the acreage market has evolved. Formerly the domain of desperate first home buyers, acreage land has morphed into an up market destination for the more well heeled and established second, third or fourth home buyer who wants the quiet life or room for the boats, bikes and vans. Typically a new house on acreage will cost \$600,000 to \$700,000, whilst one recent sale on Peppertree Drive, Jimboomba was over \$1 million for a former display home.

Of note is the growing trend in these new acreage estates of extended families taking up residence in purpose-built dual living houses. Such is their growing popularity that many mainstream builders are offering project style floor plans ready made for multi-generational households. This small but growing part of the market may be driven by the previously mentioned affordability issues but may also be driven by issues around our ageing population. One only has to look at the revelations coming from the aged care Royal Commission to appreciate the concern that some people have over the future care of their loved ones.





By combining financial resources across two generations, a dual living acreage home gives the younger generation a better standard of housing and lifestyle than they might otherwise have afforded while giving the older generation more certainty around their future care.

The rapid development of the Scenic Rim south from Brisbane and west from the Gold Coast has, however, outstripped the demand for employment in the area meaning many working age residents are faced with a daily commute along transport corridors that were never designed for the increasing traffic load. In the longer term, upgrading roads or the establishment of more businesses in the area will benefit present and future residents.

North West Gold Coast/Lower Logan Region

This region has a mix of out of towners, those who are moving for work and those who are trying to escape the hustle and bustle of the city. Locations such as Ormeau, Pimpama and Beenleigh have always been popular with families or couples where



"Three bedrooms, living room, dining room, and a little room to negotiate."

This region has a mix of 'Out of Towners' those who are moving for work and those who are trying to escape the hustle and bustle of the city.

one of them may work in Brisbane and the other the Gold Coast, or one partner works locally and the other is required to commute.

The large number of developing estates in this region would have to be part of the broader plans of government to spread the population growth and combine with the ability for developers to create cohesive estates that offer higher density living close to amenities such as transport, larger shopping centres and neighbourhood facilities.

There are some definite benefits for different types of buyers to these localities. First home buyers will see increased affordability from more affordable land prices the further they travel from major transport routes or regional centres. These markets also allow some people to enter the property market where, if they continue to live in the cities, they may not reach the point where they can afford a property big enough to suit their specific needs.

The developers in these estates are identifying this need and have responded with cheaper offerings. For example you can get a brand-new, three-bedroom, two-bathroom, detached house with a one-car garage from around \$300,000 within one hour of the city. In the city you would be looking at a one or two-bedroom unit which may not include a car space.

Due to the supply of land, infrastructure and master planning of regional areas including the development of satellite cities, the north-west will continue to be a growth area for many years to come.

Southern Gold Coast and Northern New South Wales

Residential property located in the coastal suburbs of the southern Gold Coast and northern New South Wales have increasingly become an attractive option for those searching for a more relaxed coastal lifestyle without forgoing employment opportunity. The area is seeing population growth and new development (including the redevelopment of sites for more intensive uses), particularly in suburbs such as Burleigh Heads, Palm Beach, Coolangatta and Casuarina. The area is attracting new residents - local and interstate as well as international. With increasing population, the area has seen a growth period in the past five years, easing throughout the final half of 2018 and first half of 2019.

Casuarina and Kingscliff have seen large numbers of new homes and land subdivisions, resulting in new local commercial hubs including shopping precincts and cafes. Longer term we are looking at the southern Gold Coast and northern New South Wales areas being a growth area for many years to come.



Casuarina

Source: realestate.com.au

Buyers within these localities are typically not first home buyers, more so those who are well established financially and are looking at lifestyle options rather than the affordability first home buyers seek. These areas are well located for commuting, both interstate and internationally from the Gold Coast Airport at Coolangatta with a number of buyers using their properties as weekenders from their busy lifestyles in Melbourne or Sydney.

Gold Coast Central

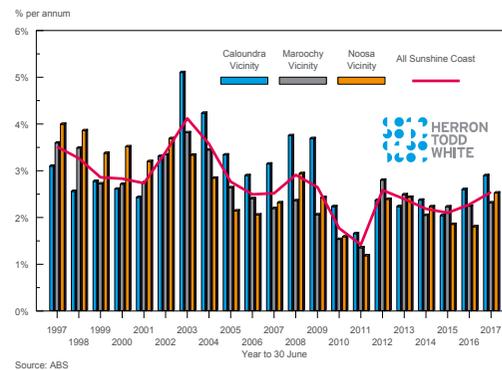
The central area of the Gold Coast offers a wide array of attractive lifestyle options for out of towners. We have definitely seen a healthy level of construction activity across the central region in the past couple of years, however more recently it appears the local economy has been somewhat subdued. The Gold Coast is heavily reliant on the tourism and construction industries and it is assumed that population growth will steadily increase in this area provided there are still good job opportunities available, particularly in these industries. We have noticed over recent years that people are willing to move away from the area to find greater employment opportunities if necessary when new jobs become scarce.

It appears that out of towners have had a greater preference for the southern end of the Gold Coast in the past twelve months as noted previously. It has been reported that new residential projects are still receiving good levels of buyer interest from this sector of the market compared to projects further north, but given the proximity to the beach, infrastructure and amenities and the lifestyle choices available, the suburbs which encompass the central Gold Coast will always be a strong growth area in south-east Queensland.

Sunshine Coast

As is common in most regional areas, the Sunshine Coast property market is heavily reliant on population increases. This is good news as the Sunshine Coast has traditionally been one of the fastest growing regions in Australia. The graph below shows the population growth history of the Sunshine Coast in recent years.

Population Growth on the Sunshine Coast



When we then look at the volume of residential property sales taking place on the Sunshine Coast in recent years, the correlation between population growth and sale volumes can be seen. This graph shows that in 2003 when the population spiked, sale volumes were highest, then in 2011 when the growth rate bottomed out, sale volumes followed accordingly.

It's pretty hard to say if any one area is attracting more out of towners than others. Most of our locations on the Coast seem to be having their fair share of new arrivals into their communities though it would be fair to say that suburbs along the coastline would be top of the list.

Given the increased demand for housing, we



mainly the upgrade to the Bruce Highway. Travel times have been lessened and the affordability in the area has made it very popular. The inner rural residential ring around the township has increased in demand as have some of the character houses in town. As a result, some new businesses have been opening up in a number of industries.

The increase in population of the Sunshine Coast assists in underpinning property values. The issue then lies in jobs and infrastructure. It is good that the University Hospital is not at full capacity, the new airport runway is yet to be finished and we have a new town centre, however just driving around the Coast, you do feel that there are more and more people on the roads. It used to be in holiday periods but now feels like it's all the time. The question is whether those roads and other services will keep up with the growth.

Rockhampton

Rockhampton has long been a hub for the mining and agricultural industries, providing opportunity for both the labour and skilled workforce to relocate. Unfortunately, during the past decade, population growth has stagnated in this region due to a number of factors, with fly-in fly-out (FIFO) being one of the notable ones.





In more recent times however, an increase in large scale infrastructure projects being approved by state and federal government has contributed to some medium to longer term job opportunities where FIFO becomes difficult for family orientated workers and the prospect of relocating the family on a more permanent basis is now a real alternative for some.

It appears that the majority of this migration will choose to rent for a period before considering buying and in the past 12 months, we have seen the vacancy rate across Rockhampton and the Capricorn Coast reduce significantly, with many managing agents reporting non-local tenants moving for new work opportunities.

Other factors that come into play for people making these decisions include the affordability factor which is generally more appealing than in the major cities combined with the Central Queensland lifestyle on offer with warmer weather, slower paced lifestyle, minimal traffic issues and an expansive outdoor playground providing a huge variety of recreational and sporting opportunities.

So, with this in mind, those opting for a sea change should definitely give the Rockhampton and Capricorn Coast some consideration - you will not regret it.

Gladstone

The Gladstone market has always been particularly susceptible to population movements. We draw attention to history, where the commencement of large projects within the Gladstone region resulted in population surges, resulting in high demand during construction, followed by periods of lower demand, resulting in volatility in the residential market.

The Gladstone market is slowly starting to recover after the last boom and bust period.

The Gladstone market is slowly starting to recover after the last boom and bust period. Affordability is currently driving the market with values having dropped to figures last seen in the early 2000s. We have noticed an influx of interstate purchasers over the past 12 months. Many have the ability to sell their Sydney or Melbourne home and purchase a substantial home here with the added benefit of being able to enjoy the sunny Queensland coastal lifestyle.

Mackay

This month, we take a look at out of towners and the role of population movements on the Mackay market.

Mackay had a significant period of growth on the back of the resource sector, from 2003 to the height of the period which ended around 2013. In this period, the population of Mackay increased from around 90,000 to just under 119,000 people. This increase in population resulted in large increases in property values, tightening of rental vacancies and general prosperity of the Mackay economy. As well as the increase in population, we saw a large influx of out of town investors purchasing house and land packages to help meet the demand. After 2013, we saw a downturn in the resource sector which had a major impact on the Mackay economy. This downturn led to significant job losses, the advent of fly-in, fly-out employment and the flow on effects to the whole Mackay economy. This flow on effect saw residential vacancy rates climb from below 1% to a high of 9.4%; residential values fell between 20% and 30%

and the population of Mackay fell for the first time in over ten years.

Fast forward to today and the bounce back of the resource sector, large infrastructure projects such as the Mackay Ring Road, Eton Range Bypass and Peak Downs Highway upgrade has seen increased employment opportunities across the region.

Figures show that the population stabilised during 2017 and has started to increase since. This increase in population, employment opportunities and general optimism in the Mackay economy is already being felt in the Mackay residential market. Vacancy rates have been steadily falling since 2017 and currently sit just below 2%. Rental values have also started to increase on the back of this increased demand. This increase has seen Mackay as one of only a few regions that was listed as cheaper to buy than rent. This in turn has seen demand for purchase of residential dwellings increase. Most agents have reported increased buyer demand for almost 12 months, with shorter times listed on the market.

The Mackay market is still affordable, relatively speaking, with only minor increases in market values seen over this period, however with record low interest rates and continued employment opportunities in the region, it is considered that population growth will continue into the short and medium-term future, putting greater upward pressure on rental and market values across the region.

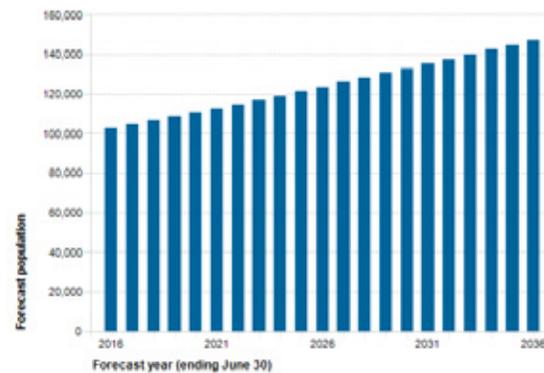
Hervey Bay

The Fraser Coast population continues to increase at a slow, steady pace with the years between 2015 and 2018 fluctuating at between 1.16% and 2.03%. Growth projections for the Fraser Coast population have been forecast to increase from 108,543 in 2019 to 147,099 in 2036, equating to an overall 35.52% rise and an additional 22,800 dwellings.

Recent migration trends have been led by retirees, as well as families of both young and older parents. These new residents have largely migrated from other south-east Queensland municipalities, including Gympie and South Burnett areas. Affordability is seen as a major driver for population growth with particular focus on the coastal lifestyle. There is also demand for dual occupancy properties for older parents or young adults residing with combined incomes that improves affordability for housing.

The Fraser Coast Regional Council considers the area to have a large supply of future residential land with targeted areas such as Hervey Bay - South West and the Nikenbah-Dundowran Future Growth Area, located on the fringes. Burrum Heads, Toogoom, Craignish and Dundowran Beach have also been identified. Closer to Maryborough, modest growth is expected for the western and southern hinterland for rural residential estates and areas near the Bruce Highway.

Forecast Population: Fraser Coast Region



Source: .Id The Population Experts

Emerald

Emerald had a relatively stable population during the mining downturn from 2013 to 2017. As the market has strengthened again since 2018, we are not noticing a large influx of out of town purchasers in the property market.

A large proportion have entered the rental market first. The majority of purchasers are local or from nearby towns moving around for work. We have definitely not seen the work migration from the south buying and living locally yet.

Some who are renting have decided that mortgage rates versus renting has swung in favour of a mortgage and have purchased but this is by far not the norm yet. Sales turnover remains steady as fly in, fly out work continues to put a handbrake on any rapid market uptake.

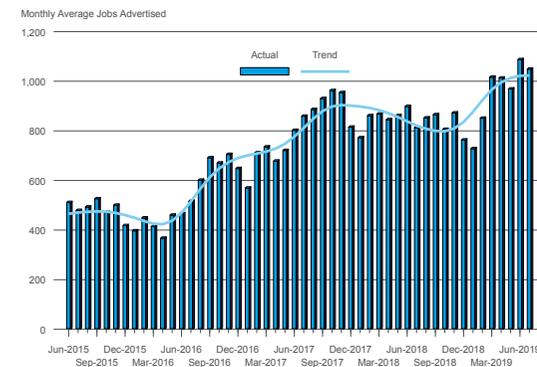
Townsville

Population growth is a major driver of the property market with jobs and job security underpinning this growth.

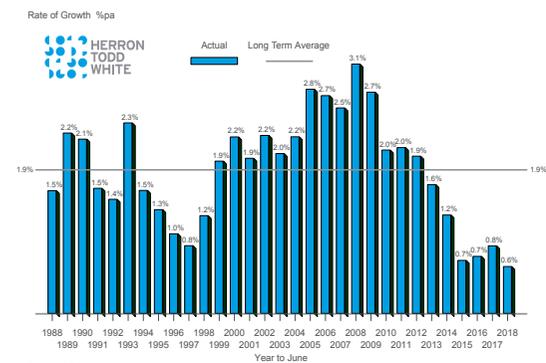
Over the period 2015 to 2018, we saw population

growth occurring at a rate significantly below the long-term average of 1.9%. Over the same period, we saw unemployment rates in the Townsville region trending well above the state unemployment rate.

During 2019, we have seen a strong pick-up in the number of jobs being advertised on employment websites for the Townsville region with the unemployment rate reducing. This increasing trend in the number of jobs being advertised bodes well for net employment creation during the coming months.



Source: HTW Analysis of Employment Websites



Source: ABS





Currently our residential market is being driven by local dynamics, however a tight rental market coupled with affordable median house prices means we are seeing anecdotally some increased interest from investors.

The Townsville region has a large pipeline of major projects proposed or under construction including Stage 2 of the Haughton Water Pipeline Duplication, Port of Townsville channel widening project and the proposed lithium-ion battery facility. These current and proposed projects will consolidate economic recovery, with real job creation that will offer long term employment and job security needed to retain and encourage population growth more in line with our long-term average growth rate and in turn drive the property market.

Darling Downs/Toowoomba

In the 1981 census, the Toowoomba region had a population of 94,605. The population has been steadily increasing since then, with the latest census (2016) recording the population of the Toowoomba region at 160,779 and a growth rate of 0.9% per annum in the past five years. This trend however, is well below the Queensland growth rate of 1.5%.

Toowoomba has proven to be a popular location attracting retirees from the broader south-west Queensland area. At the last census, the proportion of 60-plus year olds in Toowoomba was 23.6% versus 18.8% for Queensland and 19.6% for Australia. This demographic mix supports the health sector which, along with the education sector, is forecast to enjoy continued strong growth in the region.

With Toowoomba being an hour and a half from Brisbane, the desire to move out of home and study in the larger universities is apparent. This has seen

This exodus of young people and influx of established families is reflected in the composition and performance of the Toowoomba residential property market.

a decline in the population of young adults (20 to 39 year olds) within the region as they often continue residing outside of Toowoomba post their studies to start their careers. It's not until their peak professional career age (45 to 59) that we see an increase in population, as many former locals return home with an established family and steady income, seeking lifestyle and quality schooling.

This exodus of young people and influx of established families is reflected in the composition and performance of the Toowoomba residential property market. Toowoomba has a low level of unit and townhouse development and only a moderate level of affordable first home owner estates in comparison to other major regional centres. The prestige market however, has been performing strongly, particularly in the eastern suburbs where

Age	Toowoomba	%	Queensland	%	Australia	%
Median age	37	--	37	--	38	--
0-4 years	9,596	6.4	296,466	6.3	1,464,779	6.3
5-9 years	10,483	7.0	317,138	6.7	1,502,646	6.4
10-14 years	10,196	6.8	299,097	6.4	1,397,183	6.0
15-19 years	10,243	6.9	296,287	6.3	1,421,595	6.1
20-24 years	10,112	6.8	316,860	6.7	1,566,793	6.7
25-29 years	9,939	6.6	320,753	6.8	1,664,602	7.1
30-34 years	9,499	6.4	325,943	6.9	1,703,847	7.3
35-39 years	8,656	5.8	305,218	6.5	1,561,679	6.7
40-44 years	9,257	6.2	322,901	6.9	1,583,257	6.8
45-49 years	9,664	6.5	322,982	6.9	1,581,455	6.8
50-54 years	9,227	6.2	308,727	6.6	1,523,551	6.5
55-59 years	9,299	6.2	292,198	6.2	1,454,332	6.2
60-64 years	8,161	5.5	260,685	5.5	1,299,397	5.6
65-69 years	7,753	5.2	242,192	5.1	1,188,999	5.1
70-74 years	6,122	4.1	180,406	3.8	887,716	3.8
75-79 years	4,535	3.0	126,084	2.7	652,657	2.8
80-84 years	3,339	2.2	83,731	1.8	460,549	2.0
85 years and over	3,431	2.3	85,528	1.8	486,842	2.1

many established families reside, being close to schools and public infrastructure.

The higher proportion of older residents is also reflected in the current high level of retirement and aged care product being developed. Population and demographics are certainly playing a role in the performance and shape of the Toowoomba residential property market.

Month in Review
September 2019



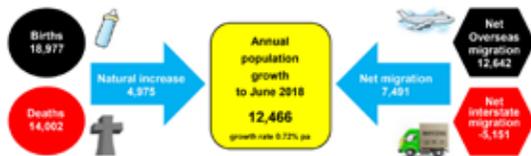
RESIDENTIAL

South Australia

Adelaide

From 2017 to 2018, Adelaide recorded a population growth rate of 0.8%. This rate is the second lowest of all major capitals and below the national average of 1.9%. The major driver of South Australia's population increase is overseas migration which accounted for 60% of the population growth from 2017 to 2018. South Australia has historically had negative interstate migration, referred to locally as the brain drain. This phrase refers to higher educated millennials leaving the state to seek out increased opportunities. The brain drain has become a prominent talking point with both sides of government actively pursuing ways to retain young talent.

POPULATION GROWTH GRAPHIC



Source https://www.saplanningportal.sa.gov.au/data_and_research/population#collapseQ564077

For overseas migrants, Adelaide offers affordability, security and a unique lifestyle with beaches, bushland and wine regions at their doorsteps. Specifically, the CBD has been popular with Chinese migrants with 17.5% of Adelaide's population being born in China at the 2016 census. The changing demographics of metropolitan Adelaide is best represented in the inner northern suburb of

Country of birth	Blair Athol (SA)	%	South Australia	%	Australia	%
Australia	2,228	48.1	1,192,546	71.1	15,614,835	66.7
Other top responses						
Afghanistan	505	10.9	6,313	0.4	46,799	0.2
India	281	6.1	27,594	1.6	455,389	1.9
Vietnam	207	4.5	14,337	0.9	219,355	0.9
Pakistan	91	2.0	3,445	0.2	61,913	0.3
Philippines	87	1.9	12,485	0.7	232,388	1.0

(https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC40118)

Blair Athol. Historically a working-class suburb, Blair Athol is now a multi-cultural hub with more than 50% of the residents being born outside of Australia. A drive down the northern section of Prospect Road provides a visual representation of the changing demographic of the area. If you are looking for a bowl of Vietnamese pho or a rich Afghani goat curry, this is the place to go. Blair Athol has a median house price of \$465,000.

On a local level, population movement has been most significant in those regions providing affordability or a specific lifestyle. According to the Australian Bureau of Statistics, in 2016 to 2017, the top five suburbs for population growth in South Australia were the outer northern suburbs of Munno Para West and Angle Vale, the north-eastern pocket of Northgate, Oakden and Gilles Plains, the outer southern suburb of Seaford, the Adelaide CBD and the outer south-eastern suburb of Mount Barker.

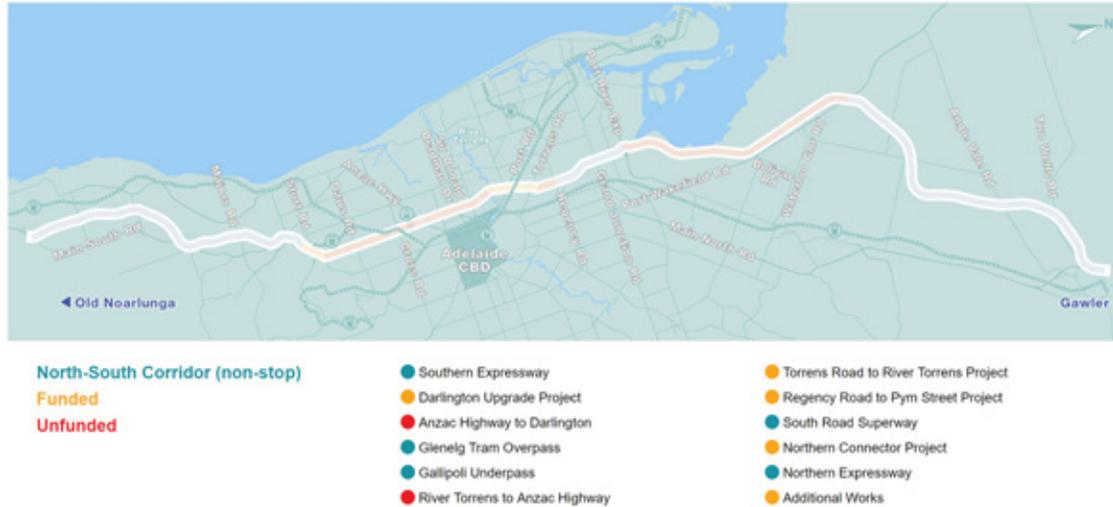
The area of Munno Para West and Angle Vale is located approximately 35 kilometres north of the Adelaide CBD. Historically a rural living and agricultural region, this area has undergone significant residential development over the

past decade. Munno Para West provides higher density living with allotment sizes typically ranging between 200 and 500 square metres. Angle Vale has been developed to a lower density, providing larger allotments ranging from 1,500 to 2,500 square metres. Recently a number of new subdivisions have popped up surrounding Angle Vale with land offerings of sub-800 square metres. Development within this region has been spurred on by the approaching completion of the North South Corridor, making the region far more accessible. Affordability has historically been a driver of growth in Munno Para West whilst Angle Vale has been a mixture of both lifestyle and affordability. These suburbs have a median house price of \$257,500 and \$465,000 respectively.

Located approximately 11 kilometres north-east of the Adelaide CBD are the suburbs of Northgate, Oakden and Gilles Plains. These suburbs each provide differing property types being developed in 2000, 1993 and 1950 respectively. Gilles Plains is going through a period of urban renewal with many of the original homes being demolished making way for newer infill development. The population driver in Northgate has been the lifestyle offering



Adelaide's North-South Corridor



(source <https://www.dpti.sa.gov.au/nsc/northsouthcorridor>)

of the Lightsview development which encompasses 103 hectares and is due for completion in 2020. Price levels for detached dwellings within Gilles Plains and Oakden range between \$300,000 and \$600,000 whilst Lightsview and Northgate range between \$300,000 and \$1 million.



Lightsview

Source: realestate.com.au

The suburb of Seaford is located 35 kilometres south of the Adelaide CBD. Developed in the 1960s, this

suburb is popular with those looking for a sea change with all the comforts of a typical suburban location. The suburb shares its western boundary with the coastline and is serviced by the Seaford Railway Line and the Southern Expressway. The suburb is situated on the doorstep of the McLaren Vale wine region and Fleurieu Peninsula. The establishment of Seaford Rise and Seaford Meadows in the 1990s and Seaford Heights in 2014 has helped ease the pressure of the popularity of the area. Seaford has a current median house price of \$373,500.

The rise in population of the Adelaide CBD can be attributed to the continually expanding apartment market. From May 2014 to May 2019, there were 2,305 unit transactions in the CBD which is an increase of 557 transactions from the previous five-year period. Many of these transactions can be attributed to the settlements of off the plan apartments. With a multitude of offerings, the

apartment market appeals to purchasers with all types of motivation. The median sale price within the CBD is \$552,000 and more specifically, the median unit price is \$440,000.



Adelaide CBD skyline

Source: realestate.com.au

Originally established in the mid 1800s as an agricultural hub, Mount Barker has become one of the fastest growing suburbs in Australia. Located 35 kilometres south-east of the Adelaide CBD and accessed via the South Eastern Freeway, this suburb has all the creature comforts of the inner metro area. Spurred on by the favourable re zoning of agricultural land, the population rose 17.2% from 2011 to 2016 with the predominant age group being 0-9 years, indicating its popularity with young families. The suburb offers a range of differing property types from terrace houses to rural lifestyle properties. Mount Barker has a current median house price of \$370,000.

Changing populations play a significant role in the broader property market. A change in population size can cause price level fluctuations whilst a change in population demographic visibly alters a suburb's taste, smell and appearance. With an aim to halt the brain drain and increase international migration, South Australia has high hopes of becoming a creative multicultural hub.

Month in Review
September 2019



RESIDENTIAL

Western Australia

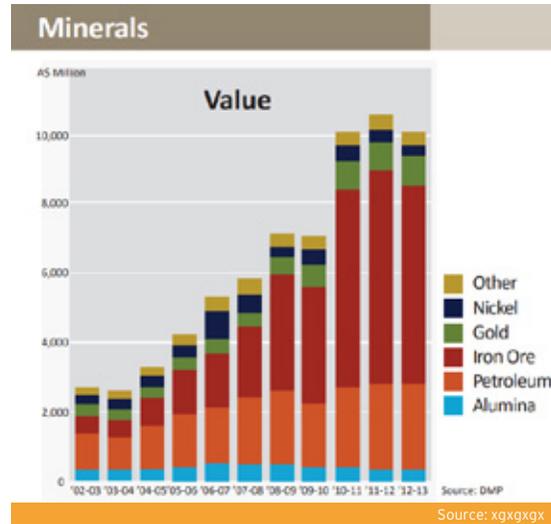
Perth

Western Australia's economy has had a tumultuous past 10 to 15 years and given the topic of this month's review, we think it's a good time to revisit history for a second as a pre-cursor to the current discussion.

Some key economic indicators have seen large peaks and troughs, often over relatively short periods of time. Consumer sentiment, population growth, migration figures, business investment, employment, wage growth, the cash rate, etc are all interconnected and each plays its part in influencing demand and supply. From a macro standpoint, the end product of this fluctuating demand and supply is a rising or falling median house price. The valuation figure stamped on each of our reports is influenced by many of these macro-economic indicators as well as countless micro economic and property specific characteristics such as location, land size, dwelling size and quality.

The median house price for the greater Perth region is expected to settle at \$490,000 for the June 2019 quarter, remaining unchanged from the previous quarter but down 3% since the June 2018 quarter. Between 2001 and 2006, Perth's median house price doubled from \$180,000 to just under \$400,000 on the back of the resources boom (source: REIWA, 2017). In 2006, increased resource investment influenced the mining sector across the whole state. Mineral exports were ramping up as the amount of iron ore Western Australia was capable of exporting quadrupled in value from 2006 to the peak in 2012 (Figure 1).

Figure 1 - Mineral Export Value (source: Department of Mines and Petroleum 2019)



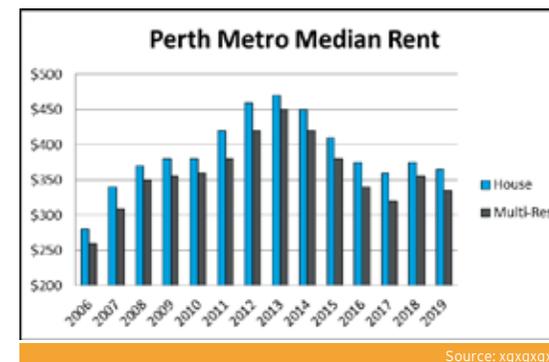
This led enabled businesses across Perth and regional Western Australia to find space for a number of new job vacancies and in 2006 we saw 31,000 migrants flock to the state, including both net interstate (3,100 persons) and overseas migration (28,070 persons).

Many people from overseas were attracted by the large salary and incentives packages on offer for both skilled trades workers and other positions

Between 2001 and 2006, Perth's median house price doubled from \$180,000 to just under \$400,000 on the back of the resources boom.

that required little prior experience. On top of this, residents from the eastern states found good opportunity to come and work in Western Australia on a temporary basis. This influx boosted the population in a relatively short amount of time. Usually at the start of any significant population increase, the median rental will rise long before any movement in the median sale price because new residents generally look for a home to rent first instead of buying from the get-go. This caused a sharp increase in demand for rental properties, decreasing the number of days to lease as tenants found that they had to act quickly to secure their ideal property.

Figure 2 - Perth Metro Median Weekly Rent (source: REIWA)





In the twelve months from 2006 to 2007 Perth's median rental price increased by about 20% from \$280 to \$340 for houses and \$260 to \$310 for units (Figure 2). It didn't stop there though. Migration figures increased again, then had a lull and eventually peaked in 2012 when we saw a total of 58,600 people travel to Western Australia to get their share of the revenue from the resources boom.

Figure 3 - Greater Perth Median House Price & WA Net Migration (source: ABS & REIWA, 2019)

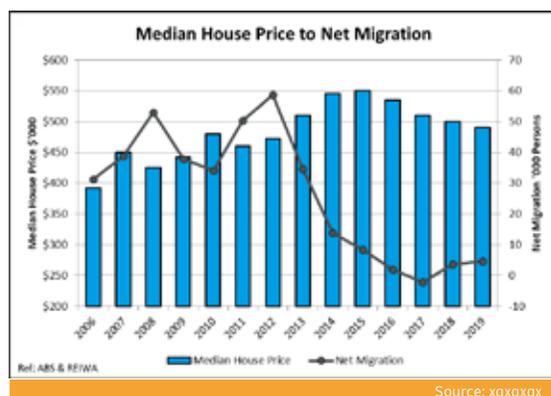


Figure 3 demonstrates the relationship between greater Perth's median house price and Western Australia's net migration figures. This relationship isn't plainly obvious by looking at the graph, but it becomes apparent once we understand that there is a lag between the net migration figures and the median house price. Isolating the peaks of each statistic, net migration peaked in 2012, the median rental price peaked in 2013 and then the median house price peaked in 2015. This represents a one year delay between increased migration and rental prices and then a two-year delay between increased median rental and median sale price.

There are a few reasons for this lag. At the beginning of the mining boom when we

In 2017, 14,000 people left Western Australia for other Australian states, however since then, both interstate and overseas migration has improved slightly.

experienced increasing net migration, demand started closing in on the amount of supply that was available. As tenants soaked up this rental stock, leasing prices increased due to the competitive environment. As rents continued to increase, purchasing a property slowly became a more attractive proposition and increasing wages bolstered consumer sentiment which gave home buyers the peace of mind to make their purchase decisions. Since median house prices were now rising on top of rents, investors flooded the market in the hope of both capital gains and a solid rental income, furthering the shortage of accommodation for new arrivals. In turn, this only increased the median house price further due to more competition.

Once the state government was reaping the benefits of the mining revenue, it was able to invest some of this back into infrastructure which created more job vacancies. Developers were seeing this housing shortage as an opportunity to maintain strong supply to the market. A number of office buildings, apartments and land developments started up, but they would not come to completion for several years.

Commodity prices had been on the rise for a while and in 2012 mining investment had reached its peak at just under 8% of the Australian GDP, compared with its average of 2% prior to the boom. The resource sector responded to the commodity price boom by continuing to expand productive capacity, but this soon came to a head as our supply of resources met declining international demand.

As mining investment declined, so did the availability of jobs. Some mining projects came to completion and this started the increase in unemployment rates. The construction phase had ended, temporary contracts did not get extended and we started to see a lot of redundancies. Wages were decreasing so migrants who had come from the eastern states and overseas moved back home. Suddenly businesses were consolidating their work spaces as they employed less and less people. The office buildings, apartments and land developments that were under construction were now coming to completion, however there were no tenants or home buyers to lease or purchase these spaces. The CBD office vacancy rate skyrocketed to over 20% and now supply severely overshadowed demand, reversing the economic cycle. From here consumer sentiment began to slip and less access to finance stopped any interest from investors and owner-occupiers. Residential rents, office rents and house prices started their slow descent down to their current position.

Net interstate migration has been in the negative since 2014. In 2017, 14,000 people left Western Australia for other Australian states, however since then, both interstate and overseas migration has improved slightly.

An analysis of several different localities assists to provide an insight into lead indicators which enable us to gauge where the market is at.

Port Hedland continued to have a positive 2019 seeing a 3.4% increase in the median house price over the June 2019 quarter to \$225,000. Karratha

appears to be slightly more advanced in the cycle, having experienced an average of 10.2% growth in the previous 12 months, with a median house price of \$345,000. Notably, the rental vacancy rate in both areas has plummeted in 2019, with demand remaining strong and a lack of investor activity over the previous five years restricting supply. We know that these areas are often the first to indicate changes to net migration associated with mining industry cycles.

Within Perth itself, the June 2019 quarter saw increases in activity from the extreme ends of the market as the sub \$350,000 and above \$3 million price brackets improved the most. The overall median rent rose to \$350 per week in the June 2019 quarter. This equates to a \$10 increase in both the median house and median unit rent, now \$360 and \$330 respectively. The rental sphere has continued to be a strong performer over the past two years. The number of days to lease decreased by one day to 41 days in the June 2019 quarter. According to the REIWA, 54% of greater Perth suburbs saw an increase in leasing activity in July.

Remembering the lag between rental increases and median house prices, we expect that Perth may experience a similar, albeit smaller property market cycle in the coming years. Australia wide, a \$75 billion resources construction boom is underway. Within Western Australia, several new iron ore



RENT

\$350

The overall median rent rose to \$350 per week in the June quarter 2019.

mines are either currently in the early stages of construction or have recently been announced to commence construction and the activity in the lithium industry is still top of mind. On top of this the Western Australian Government has apportioned a significant budget to the Metronet infrastructure project over the coming years with nearly \$8 billion of funding allocated to road and rail expansions, level crossings and inclusions for the Morley-Ellenbrook line and the Byford Extension on the Armadale line. Job vacancies are starting to rise again, and we expect wage growth may slowly increase as a result.

REIWA's President Damien Collins recently said that "while the market has been declining for some time, the economic conditions in Western Australia are looking far more positive than 12 months ago. I would advise those who are thinking about purchasing their first home, trading up or investing, to act soon and take advantage of current conditions before the market starts to recover and prices inevitably rise." Our thoughts and predictions definitely align with Mr Collins as affordability is arguably the best it has been for a long time.

South-west Western Australia

The south-west region of Western Australia is one of the key population growth hotspots in the country and:

- ▶ has a **population of 178,406** and is set to grow by a further 17% by 2026;
- ▶ In 2018, **1,366 building approvals** were issued with 74% being residential approvals with a value of \$456 million;

▶ *The growth in population in the region is having a positive effect on the development of new residential subdivisions.*

- ▶ Busselton has experienced an **annual population growth of 2.3%** since 2013.

Source: SWDC & Australian Bureau of Statistics

Busselton continues to underline its status as a population and commercial development node in the south-west, with a growth factor in the state second only to Perth metro. The majority of the population increase is a share of overseas migrants and relocating Western Australians, particularly from Perth. The foreshore is undergoing a major \$75 million redevelopment with leisure facilities, a new surf lifesaving club and youth activity precinct. Work has recently commenced on the new foreshore family micro-brewery and is set to commence imminently on the five-star Hilton Hotel.

Vasse, Kealey and Yalyalup are all popular residential subdivisions that are rapidly expanding and schools and shopping facilities are also developing to accommodate the expanding population. Vasse has recently seen a new Coles supermarket open with associated community shops, cafes and health facilities.

The growth in population in the region is having a positive effect on the development of new residential subdivisions but property prices remain subdued with little sign of any capital growth in the short to medium term and the cautious position of the overall state economy is seeing established housing stock facing a softening market with few buyers in this sector.

Dunsborough was once a relaxed summer seaside resort but the population has doubled in the past ten years and last month saw the announcement of the first five-storey, town-



centred, multi-use development which has received mixed local reviews.

Bunbury Port is one of the country's fastest growing commercial ports with million-dollar investment being planned in the next 18 months.

Busselton airport has seen over \$50 million of development on the expanded runway and associated infrastructure over the past two years and is poised to receive direct flights from Melbourne and Sydney in the foreseeable future. Busselton is also a growing hub for international cruise ships with 15 visitations planned for 2020. Each arrival will generate significant revenue for the local economy as patrons are ferried ashore to enjoy the local hospitality.

The ongoing development of the local regional agricultural and aquacultural industries continues to expand employment opportunities, especially with the Southern Forests brand for apples, strawberries and truffles, to name a few, and Augusta abalone.



Northern Territory

Darwin

No doubt many southerners and locals too are avid followers of the NT News and are familiar with the punchy one liner about some rogue croc eating a pig, another epic Cahills Crossing fail or the half-naked tourist on a balcony, but Darwin is attracting headlines for more concerning reasons of late - population decline.

These days, a conversation with a local isn't too far away from being about the state of the NT economy, politics and jobs, which leads to the inevitable question "are you going to stick around?"

It is reported by the ABS that Darwin was the only capital city that experienced a population decline in 2017/18 - apparently the first time in 15 years. Yes, it was a small drop of less than 1%, but in a critical time for the Top End when we need the inverse, it's a bit of kick in the guts.

Rusted on locals will never leave this place, but Darwin has always been transient and the same reasons that bring people here also take them away again - adventure. Unfortunately, this transient trend seems to be heading in only one direction - south, both numerically and geographically.

I'm no demographer, but it seems to be that commentary around the wind down of the Inpex gas project, which saw about 9,000 workers during peak construction, has had the biggest impact on



Gunlom Falls, Kakadu National Park

Source: wildswimmingaustralia.com

the population and likely the economy too. Perhaps around half of those workers were the fly in fly outs, and the other half were locals (a term loosely thrown around for anyone with an NT address). But whichever way you look at it, 9,000 jobs accounts for around 8% of the Darwin population at the peak construction. Take away those jobs and it's just not possible for a place like Darwin to absorb that number of workers back into the market.

The effect this has had on the property market is no secret. It's been widely reported on and we have seen market contractions in the order of 40% in the unit market and fairly consistently anything from 10% to 30% across other residential markets from

the northern suburbs through to outer rural areas. But the thing about Darwin is, because the market is so small, any significant change in Government policy, industry development or a resources boom could see things turn quickly for the Territory. It's a fickle market. It's just a matter of when and what will drive the change.

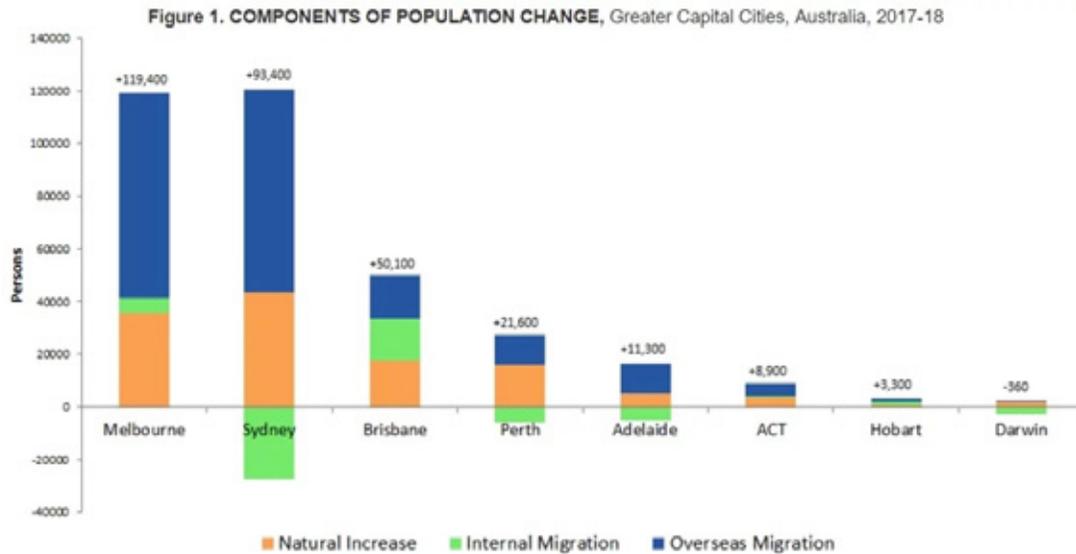
As I said, Darwin is a transient place and the issues around why people leave seem to have been the same forever: displacement from family; the next adventure; it's too hot; or the next opportunity knocks. What we need to be able to do is attract people back the other way, with first and foremost - jobs (and a promise of a superior lifestyle). Without jobs, it's very difficult to attract people, despite how good a time we have on the weekends up here.

Without jobs, it's very difficult to attract people, despite how good a time we have on the weekends up here.



Politics is beyond me and I'm not going to get into discussing the finer details of the Boundless Possible campaign and whether or not that's working to bring people up here...but is it politics? Is it the cost of doing business up here putting the brakes on? Is this just the reactions of a small market following the boom and bust nature of a resources boom or is it something embedded in the Australian psyche about its perceptions of the NT - probably a bit of everything. And it will take time to recover.

For now, we are likely to bump along the bottom for a bit, looking for those subtle market changes - consistent increase in market activity from month to month, a decrease in time that properties are on the market, a reduction in properties advertised for sale and the return of equilibrium between demand and supply. Perhaps then we will see the positive shift in median values and a more positive long-term outlook.



Australian Capital Territory



Canberra

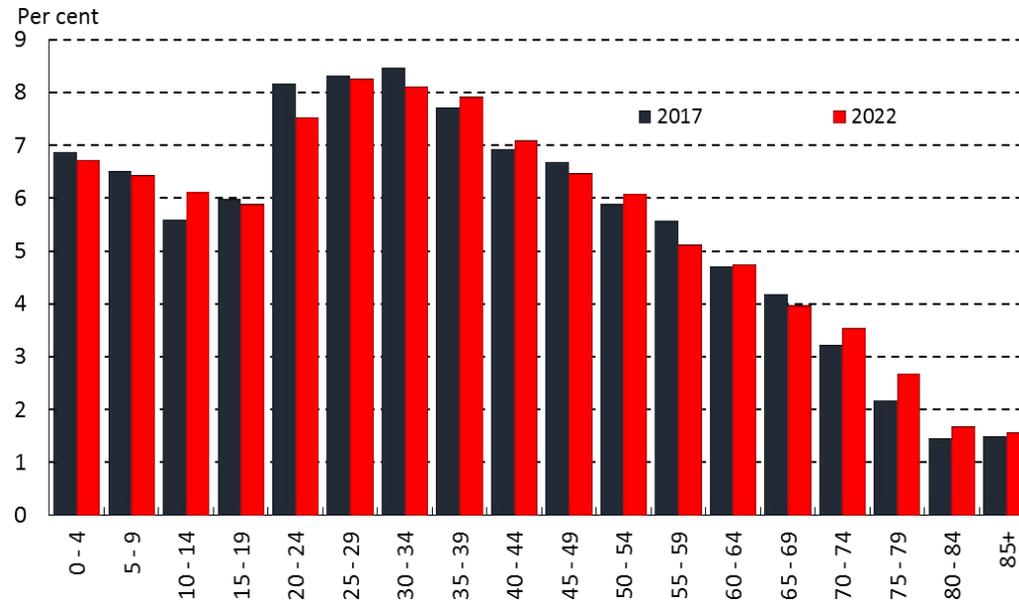
The ACT population has continued to grow from 2018 to 2019 with growth of 1.23% to 419,200 as at 31 March 2019. The ACT has one of the fastest growing populations in Australia and is expected to hit 500,000 by 2030.

If we study the graph which shows current population (2017) and projected population (2022), we can see that the most prominent age bracket is those between 20 and 39 (2017). The high population in this age bracket could explain the high demand for entry level products in the ACT market, which are popular among this age bracket given the generally lower budgets.

The population of those aged 20 to 35 is expected to drop from 2017 to 2022, which means we may see a slight drop in demand for entry level products.

We can also observe an expected large population growth from 2017 to 2022 for the population aged 70 plus. This growth in population will likely increase demand for property types marketed at the ageing population, such as retirement units, retirement villages and properties marketed at downsizers.

Figure 3.5 Population by key age group as a proportion of total population, 2017 and 2022



Source: ABS Cat. No. 3101.0 and ACT Government, Chief Minister, Treasury and Economic Development Directorate.

Tasmania

Hobart/Launceston

Tasmania is enjoying steady, albeit not outstanding, population growth of 1.24%. A far cry from 2012 when the population actually shrank by 0.57%

So, what are the pull factors driving this?

Firstly, a stronger economy. Tasmania is now ranked third in the Commsec State of the States. Good tourism numbers, building activity, real estate activity and general confidence have created an environment in which businesses are having the confidence to invest and expand. A statistic that might be surprising to some is that of all the employment classifications, professionals at 18.5% make up the largest employment group in the state, well in advance of technicians and trades workers, next best at 14.8%.

Secondly, the state is seeing population migration due to real or imagined climate change effects. People are simply relocating from Queensland and Western Australia because it is too hot! Net inflow for the December 2018 quarter was 568 persons. In this category are also placed former residents returning to the state now that there are employment opportunities available.

Thirdly, overseas migration. The green, clean perception of Tasmania together with a stronger economy are attracting overseas residents. Net inflow was 686 persons in the December 2018 quarter.

So where are these people going? Hobart (including the cities of Glenorchy and Clarence) together with Launceston in the north are attracting virtually all the newcomers. This has placed housing pressure on these markets, especially Hobart. The end result is the double-digit growth the regions have enjoyed over more recent years.

Housing affordability is becoming more of an issue. Inner city Hobart is priced out of many potential purchasers means with its median house price now above Adelaide. The median and outer ring suburbs however still provide affordable housing and are still enjoying solid capital growth.

People are simply relocating from Queensland and Western Australia because it is "too hot"!

Month in Review
September 2019



RESIDENTIAL

HERRON
TODD
WHITE
RESIDENTIAL



Rural

September 2019

Central and Western NSW

The drought continues its hold on the top half of New South Wales with little to no hope of any winter crop coming to fruition. Our observations are that the property market has not notably changed in recent months, albeit on the back of limited offerings. Vendors are generally not committing to listing their properties due mostly to the poor seasonal conditions and sub-optimal presentation. Vendors who are offering properties are maintaining a relatively strong reserve price in any sale campaign. The pass-in rate at auction has increased with some vendors still wanting bullish outcomes in a market that has purchasers holding off buying decisions. Buyers are showing signs of hesitation with limited cash flow from their existing holdings and any potential purchase property with little to no crop or stock feed.



An interesting auction offering is coming up at Bourke on 29 August with Myroolia (18,522 hectares) and part Romani (9,497 hectares). The properties are located approximately 125

The pass-in rate at auction has increased with some vendors still wanting bullish outcomes.

kilometres north-west of Bourke in the Fords Bridge area. The interesting aspect is that both properties have carbon projects. We are yet to see any real sales evidence of New South Wales Western Division properties with carbon projects and income. We look forward to analysing the effect, if any, on capital value with future project income and the perceived view on property value post the first ten years' income from carbon.

Once again with another month gone, we need a substantial break in the season and reinstatement of cash flow or we may start to see some pressure on property values.

North Coast NSW

A shortage of listings of rural properties for sale is a feature of the current market on the New South Wales North Coast. Strong demand is apparent and continues for macadamia farms. A number of recent sale transactions of reasonable size macadamia farms have occurred which indicate analysed values in the range of \$70,000 to \$100,000 per mature orchard hectare during mid 2019. This is an increase from late 2018 and early 2019 when the top of the analysed value range was broadly indicating \$85,000 per mature orchard hectare.

The sugar cane farm market is subdued as the world sugar price is down to US11.47 cents per pound. Subsidised Indian sugar continues to impact negatively. Dry conditions have encouraged some growers to bale post-harvest sugar cane residues for mulch purposes.

The beef cattle property market remains solid. A shortage of sales listings and sales is a feature of this market sector as well.



Sugar cane mulch bales

Source: HTW



Sugar cane mulch bales

Source: HTW

New England & North West NSW

Widespread snow throughout the southern reaches of the New England has offered some moisture, however there continues to be little widespread rain with the drought still affecting the majority of the New England and North-West.

Rural listings throughout both regions remain low which is contributing to the lack of recent sales. We are noticing that there continues to be an increase in neighbour to neighbour sales despite the drought conditions and the sales that are occurring are reflecting that the market is holding steady with no evidence of major decreases in value.





Snow in New England

Source: HTW

Mildura

We have seen reduced activity at the higher end of the horticultural market in 2019, following a period of four to five years when there had been regular sales negotiated for properties above \$10 million. This reduction in activity is likely to be due to a number of factors, including fewer high value properties being listed for sale and concerns around the impact of low irrigation entitlements.

Many of the higher value sales which occurred in the period from 2014 to 2018 involved long standing family farming vendors who had waited patiently for a return to good commodity prices to improve confidence levels, and then sold as part of their retirement plans. The result was a higher than

There has been significant investment in downstream processing capacity, which demonstrates long term confidence in the region's key horticultural industries.

normal number of such sales during this period, remembering that values had been depressed for an extended period prior to 2014.

Having said this, there are still a reasonable number of larger scale horticultural properties on the market in both the Sunraysia and Riverland regions. Our observation is that these are now taking longer to sell, suggesting that buyers have become more discerning. The high cost of leasing irrigation water entitlement, currently just over \$600 per megalitre, is likely to be weighing on investment decisions and we expect that sales activity will remain subdued until we see a return of higher irrigation water allocations and a subsequent reduction in cost.

While we have seen fewer sales of rural properties so far in 2019, there has been significant investment in downstream processing capacity, which demonstrates long term confidence in the region's key horticultural industries.

The Duxton Vineyard Group has just announced its purchase of the Stanley winery, situated just outside Mildura, from Accolade Wines. Accolade, which is one of the largest wine companies in Australia, has expanded its Riverland facility and decided that the Stanley winery, which has capacity to crush 80,000 tonnes of fruit, is surplus to its requirements. The Duxton Vineyard Group has rapidly expanded its production base in the Mildura region through vineyard acquisitions over the past five years and now operates 2,400 hectares of vineyards, which they estimate produces 60,000 tonnes of fruit annually, equivalent to over 20% of the fruit coming out of Sunraysia. They will be

hoping to gain increased profit margin resulting from processing grapes into both bulk juice and wine and have indicated that they may also contract crush some fruit for outside growers.

Another private wine company, Weilong Holdings, completed the first crush from its new winery in 2019. Weilong also acquired a large area of wine grape vineyards in the past five years, mostly at depressed prices, and saw vertical integration as their next logical step. The facility has been designed to eventually process up to 80,000 tonnes per annum and is the first new winery to have been built in this region in over 15 years.

Bright Light Agribusiness, a large, privately owned almond growing business with a number of orchards along the Murray Valley, is understood to have commenced construction of an almond hulling plant at their Hattah property, approximately 70 kilometres south-east of Mildura. The facility will have capacity to handle 25,000 tonnes per annum and will allow the company to also move up the value chain.

We also expect to see expansion in the capacity of local citrus packing facilities over the next one to two years, in order to handle the significant increase in production resulting from new plantings of navel oranges and easy peel varieties.

Western Australia

We are well over half way through the year and Western Australia has had some rain events in many agricultural regions after a dry start. These are variable, as you would expect, however

travelling around the cropping regions in the last month, I have seen some well-established crops and some flowering.

This month we have a look at some sale transactions that have happened across the Western Australian land mass developed for agricultural purposes. At the start of the year in January, Minni Downs, Mount Sheridan Road, Varley was purchased for \$8.9 million. This property was formerly three farms known as Fretwells, Mini Downs and Rockwater that were aggregated into one. The property has a total land area of 7,556 hectares and is serviced by two sets of structural improvements including houses and sheds. That sale price reflects \$1,178 per hectare improved.

Later in the year in May and further south, the Green Range locality Kangaroo Valley sold for \$5.2 million. This property is approximately 1,375 hectares developed for cropping and grazing with structural improvements including a four-bedroom house and a number of sheds. This property is reasonably close to Albany on the South Coast and has highway frontage. Analysis of the sales price indicates \$3,780 per hectare improved.

Staying in the south of the state and heading north-east to the Goldfields-Esperance pastoral region, we note that the Balladonia Aggregation is currently under offer. This aggregation includes four stations known as Balladonia, Nanambinia, Woolba and Noondonia with a total land area of 671,277 hectares. The property is rated to run 6,300 cattle units and the advertised sale price WIWO was \$8.5 million or \$1,350 per cattle unit.

There have also been a number of other transactions over this time period and the confidence needle continues to lean towards the positive side of the scale.



Wide open plains

Source: HTW

Northern Territory

The sale of the 3,797 square kilometre breeding block, Manbulloo, strategically located at the junction of the Stuart Highway and Victoria Highway at Katherine (300 kilometres south of Darwin) settled around mid July as part of the CPC property sell-down. The deal was negotiated with Cross Pacific Investments Pty Ltd who we understand is a mix of foreign (the Americas) and local investors. The recorded settlement price for the property was \$23.4 million. Full details remain confidential at this stage however we understand that the property sold bare of livestock, plant and equipment, but was subject to a leaseback to CPC (terms of lease remain confidential) and was also subject to an existing agistment agreement over a small portion of the property. Our analysis of the reported contract price, assuming the sub-lease is at market levels, indicates a reasonably sound acquisition. This buyer has reportedly been actively investigating the grazing land market in the northern half of the Northern Territory.

It has been an extremely active six or so months on the pastoral front in the Northern Territory.

The 3,036 square kilometre property, Mount Skinner, situated around 270 kilometres by road north-north west of Alice Springs has also settled (end of July) for close to \$7.5 million (real estate) in a circa \$9 million to \$9.5 million WIWO sale to a South Australian pastoral family looking to expand their operations into the Northern Territory. At the time of sale, the property was reportedly coping with the same very dry conditions being experienced by many other stations in the Alice region. This sale falls in line with the continuing theme of strengthening value levels for Centralian pastoral land which has been sustained by strong competition for the tightly held leases now for at least three years.

Another Centralian station, Idracowra (4,628 square kilometres) around 240 kilometre drive south of Alice Springs, was recently listed to go to auction on 9 September, however not much less than three weeks later, it has reportedly already secured a buyer. We are aware of reasonably strong interest from several Alice Springs region pastoralists for this property, which reportedly still requires significant pastoral development to bring it up to industry standard. Again, the very dry conditions have not dampened strong demand for grazing country in the Alice.

We also understand that Scott Creek Station (1,018 square kilometres) with frontage to the Victoria Highway, around 65 kilometres south-west of Katherine is currently under contract for sale at around its asking price. It had been marketed since around March 2019. Full details remain confidential at this stage, however the deal was reportedly



negotiated on a bare basis (excluding livestock, plant and equipment) and we understand that the potential buyer requires FIRB and Ministerial approval for sale completion. We understand that the purchaser has also recently acquired other grazing country in the Northern Territory and that an agistment agreement for around one year for use of the entire pastoral lease was also struck at the date of contract. The reported contract price indicates a strong desire for the purchasers (if the deal is consummated at settlement) to continue with hay cropping over approximately 1,400 hectares of land subject to ongoing rehabilitation after having been overrun with heavy weed infestation and suffering erosion issues (we note that several thousand hectares of the property were originally cleared in the 1970s for broad scale cultivation of hay and sorghum crops to supplement native pastures on the property, however a large proportion of this area was resumed by regrowth of native timbers and weeds).

We are also aware of two other pastoral holdings currently on the market in the north of the Northern Territory with offers accepted.

It has been an extremely active six or so months on the pastoral front in the Northern Territory and our analysis of the 2019 sales so far indicates widely ranging dollar per adult equivalent value levels from around \$1,500 through to nearly \$3,000 (bare of stock and plant). From my reading into it, the huge variation can be put down to an equally wide range of opinions on the long-term productive capacity of the lease of purchasers, vendors, financiers, land agents and valuers.

As a valuer who has inspected most of these stations more than once over the past twenty years, a consistent approach to assessing productivity across these leases provides me with a

fairly accurate picture of which buyers have clearly overestimated.

There are one or two pastoral leases that have just hit the market for sale in the Northern Territory. If they sell, it will be after only two or three years since they were acquired. That's a very quick turnaround and the marketing process should be intriguing to say the least.

North and North West Queensland

According to the graph below, the Other North Queensland (typically forest breeding country) has softened from the spike last year. This is not the case.

Last year saw some good quality basalt country sell which created the perception of a general increase in the market. Also, this was fuelled by some stronger priced transactions whereby southern graziers were seeking grassed country for drought relief.

This year has seen some lighter Desert Uplands and Croydon forest sell in the mix.

The reality is, that last years index average is high, due to a lack of Desert Uplands and Croydon country selling.

Conversely, this year is low due to the lack of the good basalt sales.

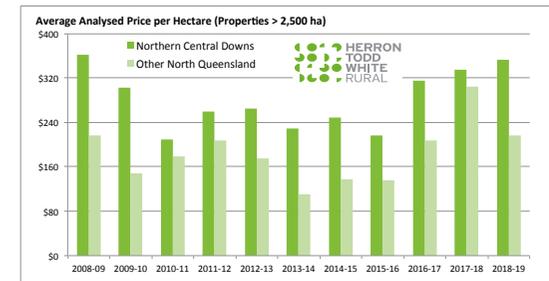
The current Forest country (Other NQ) average is actually somewhere towards the centre of the 2017 and 2018 index results.

The Northern Central Downs had a spike of higher priced sales in late February and into March this year.

Graziers from the Northern Territory, Central Queensland and Southern Queensland drought affected areas anxiously purchased downs country

amid the perception that there was going to be a substantial body of grass following the monsoonal flood event. This was not the case.

The sales evidence since March does indicate a general strengthening on last years sales, certainly not to the extent of the February/March pricing. Once the transactions settle that are currently under negotiation, it is expected that the full year average index will be slightly lower than it is now.





Property Market Indicators

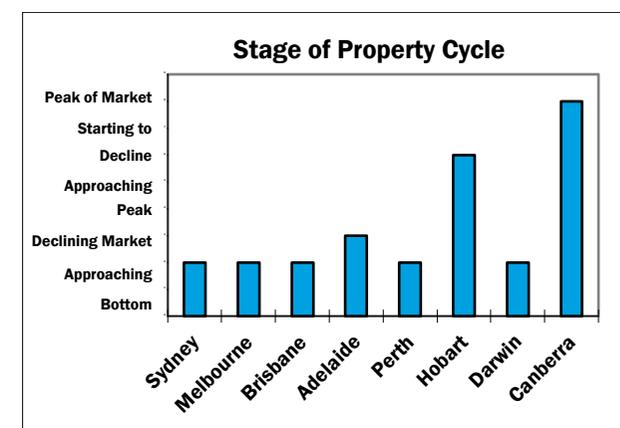
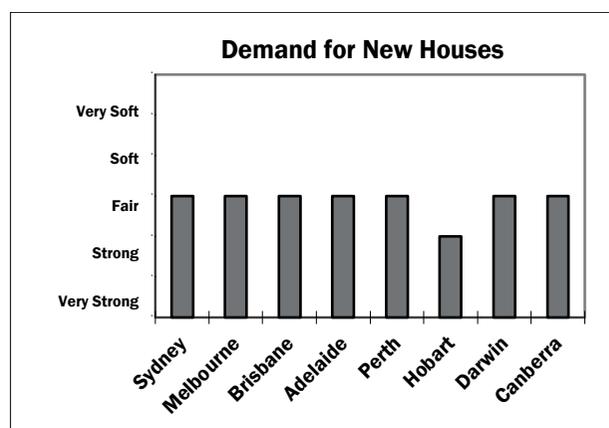
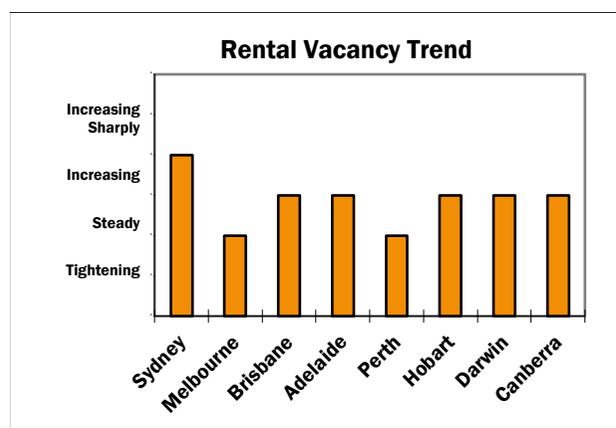
September 2019

Capital City Property Market Indicators – Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Tightening	Steady	Steady	Tightening	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Strong	Fair	Fair
Trend in New House Construction	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Rising market	Bottom of market	Approaching peak of market	Bottom of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

Red entries indicate change from previous month to a higher risk-rating

Blue entries indicate change from previous month to a lower risk-rating

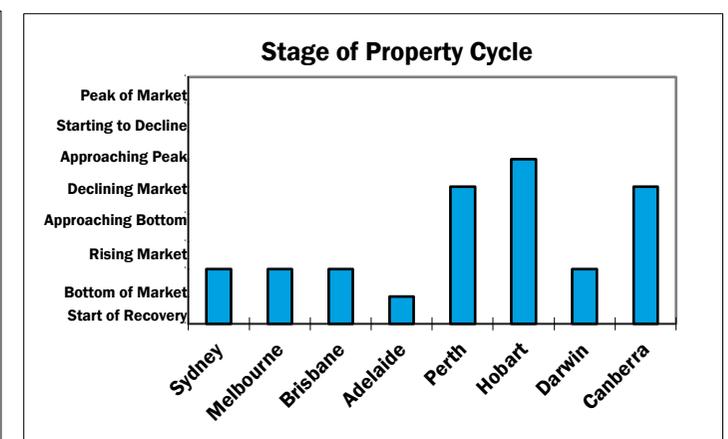
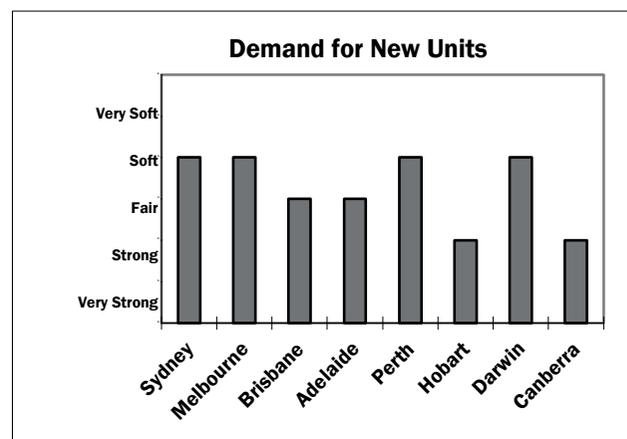
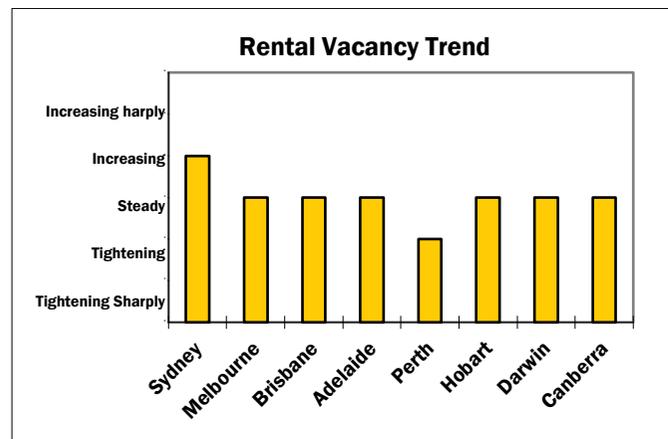


Capital City Property Market Indicators – Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Steady	Steady	Steady	Tightening	Steady	Steady	Steady
Demand for New Units	Soft	Soft	Fair	Fair	Soft	Strong	Soft	Strong
Trend in New Unit Construction	Increasing	Increasing	Steady	Steady	Increasing	Steady	Declining	Declining
Volume of Unit Sales	Steady	Declining	Steady	Steady	Declining	Steady	Declining	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Declining market	Approaching peak of market	Bottom of market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Almost never	Very frequently	Occasionally	Very frequently	Occasionally	Occasionally	Frequently

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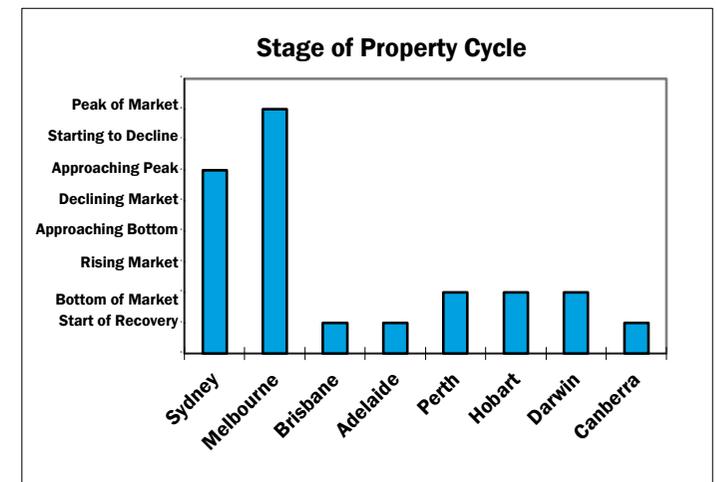
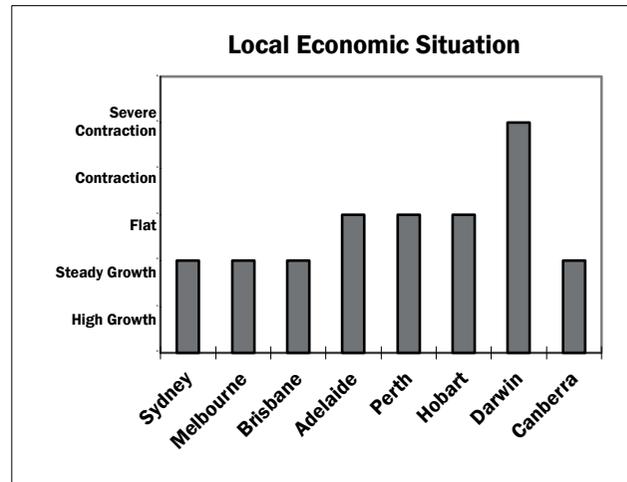
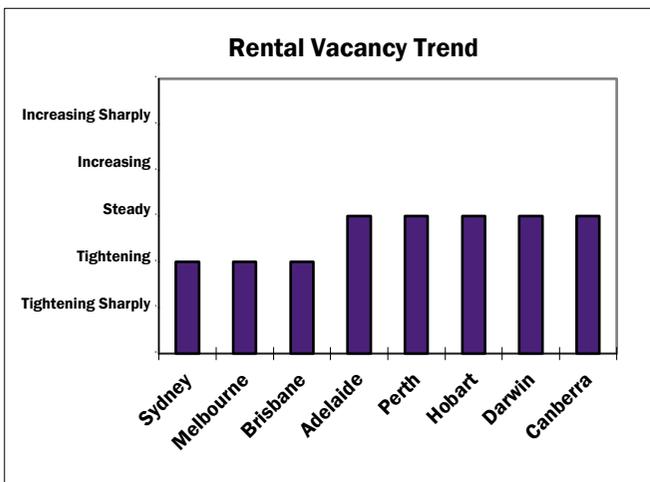


Capital City Property Market Indicators – Offices

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market				
Rental Vacancy Trend	Tightening	Tightening	Tightening	Steady	Steady	Steady	Steady	Steady
Rental Rate Trend	Increasing	Increasing	Stable	Stable	Stable	Declining	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady
Stage of Property Cycle	Approaching peak of market	Peak of market	Start of recovery	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Start of recovery
Local Economic Situation	Steady growth	Steady growth	Steady growth	Flat	Flat	Flat	Severe contraction	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Significant	Large	Large	Significant	Large	Significant

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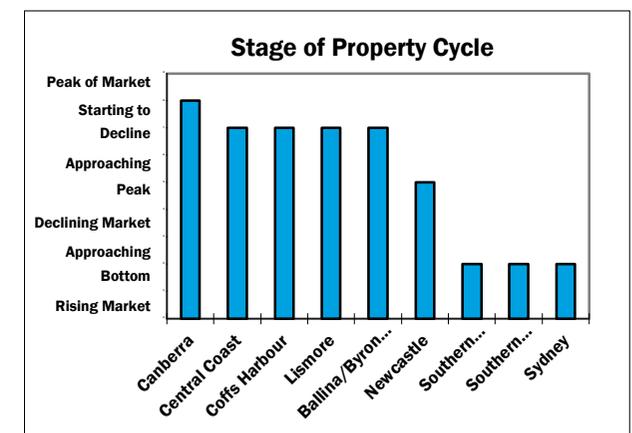
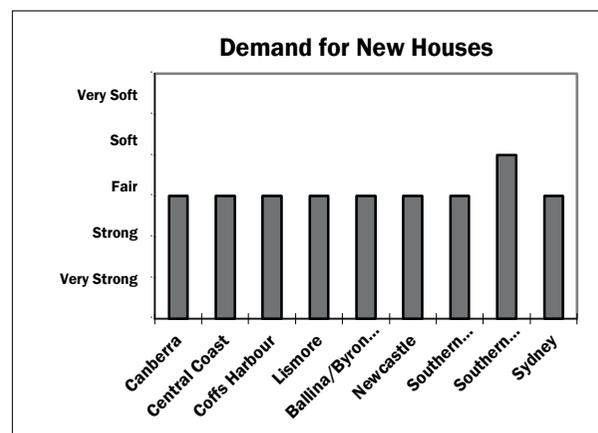
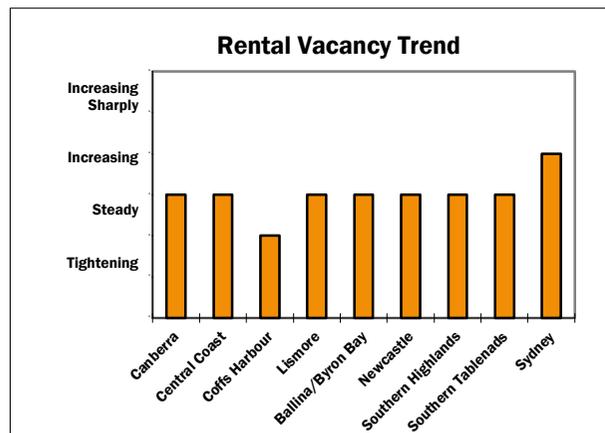


East Coast New South Wales Property Market Indicators – Houses

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Increasing
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Fair
Trend in New House Construction	Declining	Steady	Steady	Steady	Steady	Steady	Increasing	Declining	Steady
Volume of House Sales	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Steady	Steady
Stage of Property Cycle	Peak of market	Starting to decline	Starting to decline	Starting to decline	Starting to decline	Declining market	Bottom of market	Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Frequently	Almost never	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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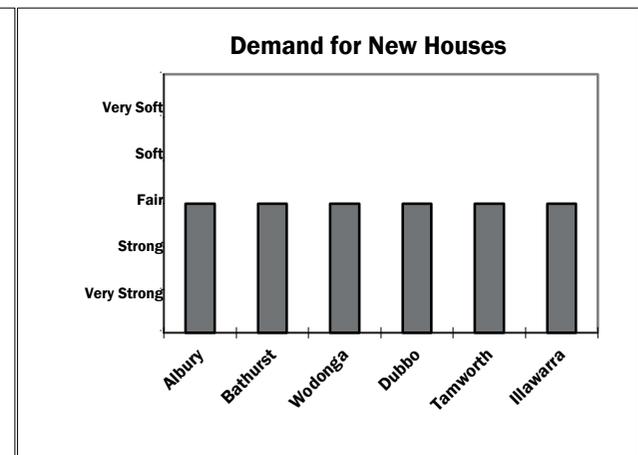
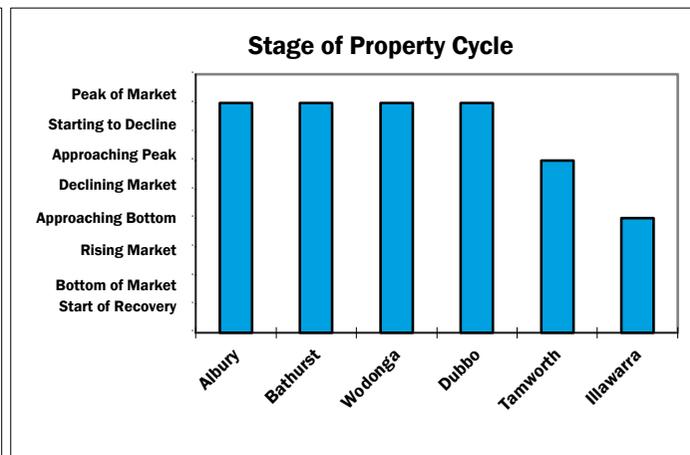
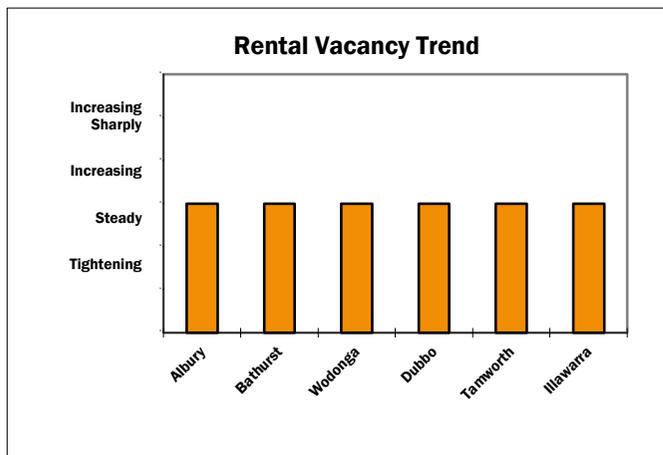


Country New South Wales Property Market Indicators – Houses

Factor	Albury	Bathurst	Wodonga	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Balanced market	Balanced market				
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Soft	Fair	Fair	Fair	Soft	Fair
Trend in New House Construction	Increasing	Declining	Steady	Steady	Increasing	Steady
Volume of House Sales	Steady	Steady	Declining	Increasing	Steady	Steady
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Peak of market	Approaching peak of market	Approaching bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Very frequently	Occasionally	Very frequently

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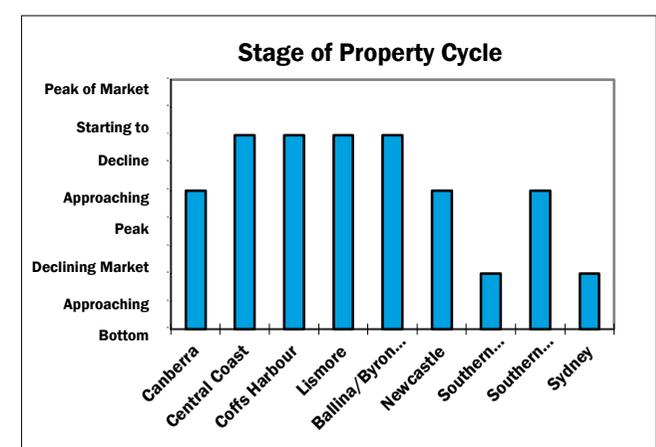
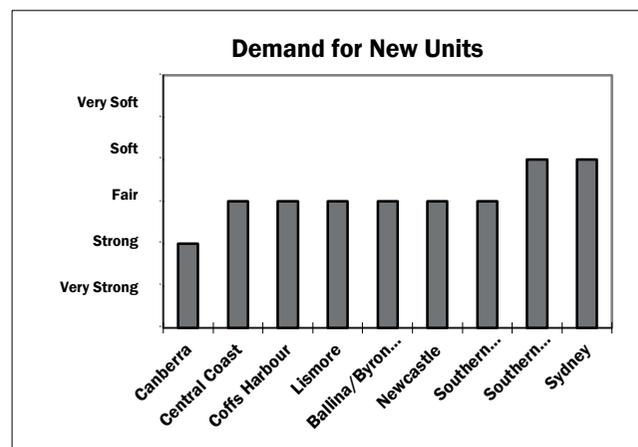
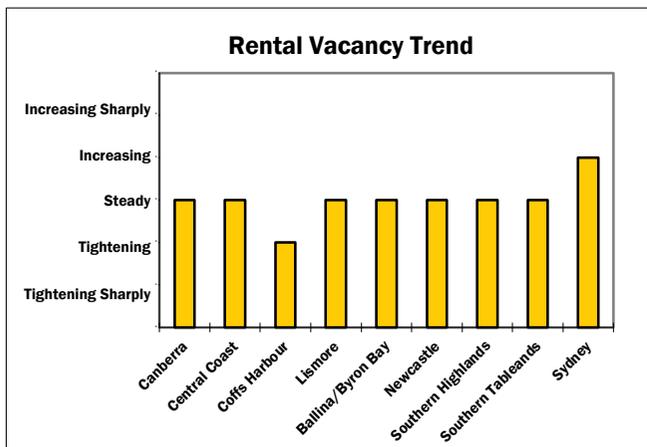


East Coast New South Wales Property Market Indicators - Units

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Increasing
Demand for New Houses	Strong	Strong	Fair	Fair	Strong	Fair	Fair	Soft	Soft
Trend in New House Construction	Declining	Steady	Increasing	Steady	Declining	Steady	Declining	Increasing	Increasing
Volume of House Sales	Declining	Steady	Steady	Steady	Increasing	Declining	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Starting to decline	Starting to decline	Starting to decline	Starting to decline	Declining market	Bottom of market	Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Frequently

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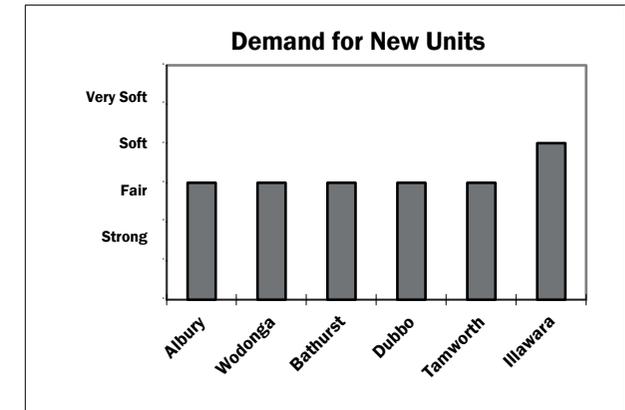
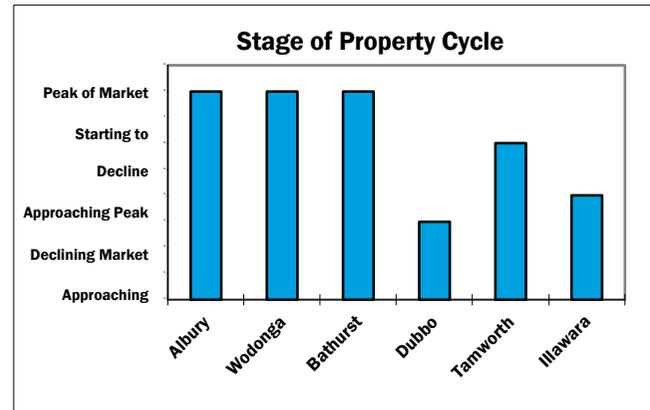
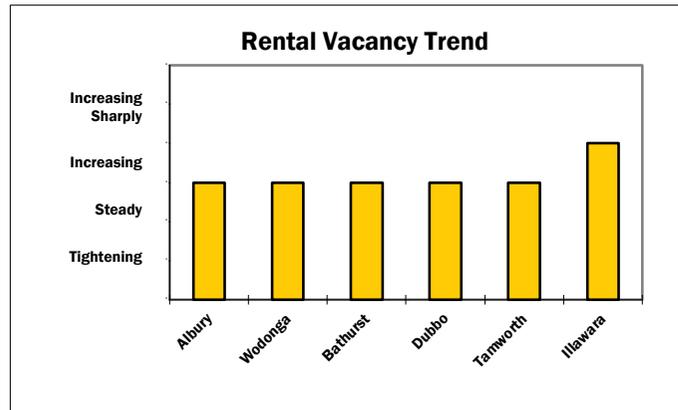


Country New South Wales Property Market Indicators - Units

Factor	Albury	Wodonga	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand				
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Increasing
Demand for New Units	Fair	Soft	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Steady	Increasing	Increasing	Declining	Increasing	Steady
Volume of Unit Sales	Steady	Declining	Steady	Steady	Steady	Steady
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Rising market	Approaching peak of market	Approaching bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Very frequently

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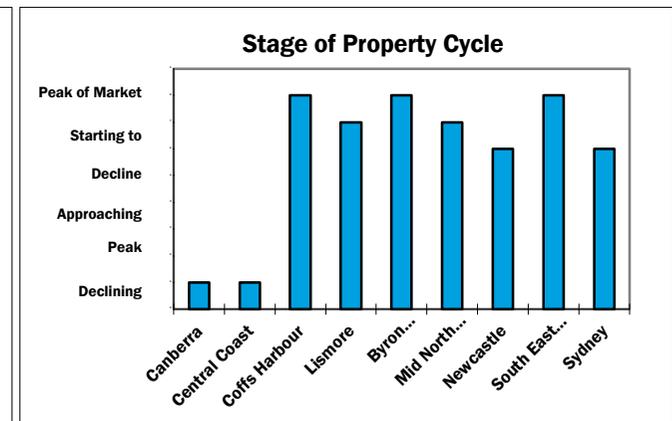
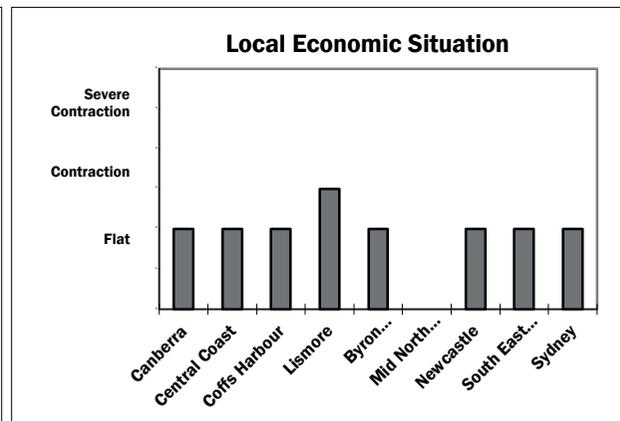
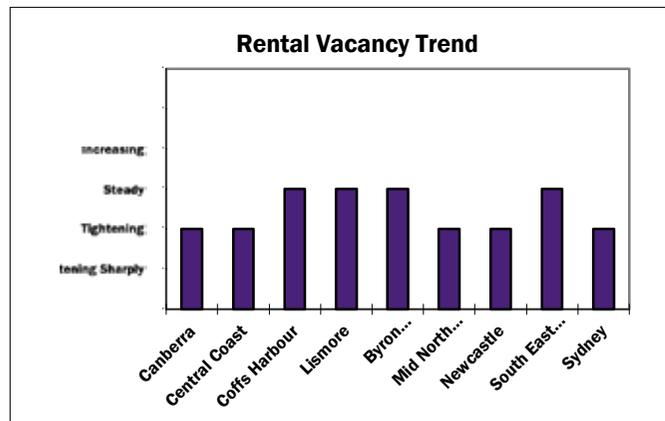


East Coast & Country New South Wales Property Market Indicators – Offices

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Steady	Steady	Steady	Tightening	Tightening	Steady	Tightening
Rental Rate Trend	Increasing	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Increasing
Volume of Property Sales	Steady	Increasing	Steady	Steady	Steady	Declining	Declining	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Peak of market	Starting to decline	Peak of market	Starting to decline	Approaching peak of market	Peak of market	Approaching peak of market
Local Economic Situation	Steady growth	Steady growth	Steady growth	Flat	Steady growth	0	Steady growth	Steady growth	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Significant	Significant	Large	Large	Significant	Small

Red entries indicate change from 3 months ago to a higher risk-rating

Blue entries indicate change from 3 months ago to a lower risk-rating

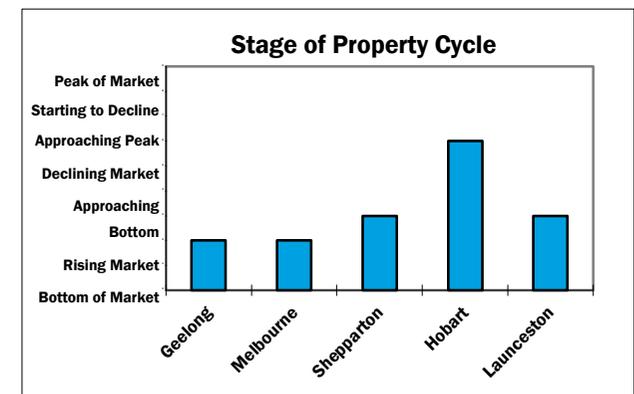
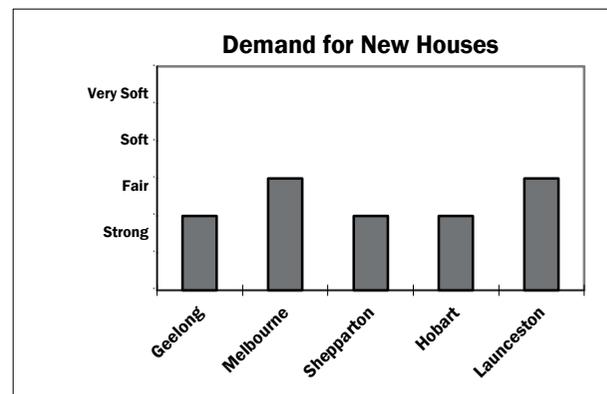
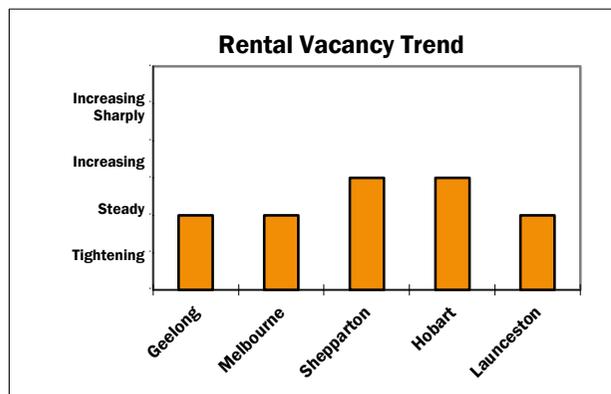


Victorian and Tasmanian Property Market Indicators – Houses

Factor	Geelong	Melbourne	Shepparton	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Tightening	Steady
Demand for New Houses	Fair	Fair	Strong	Fair	Strong
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady
Volume of House Sales	Steady	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Starting to decline	Bottom of market	Rising market	Rising market	Approaching peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Almost never	Almost never	Occasionally

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Blue entries indicate change from previous month to a lower risk-rating

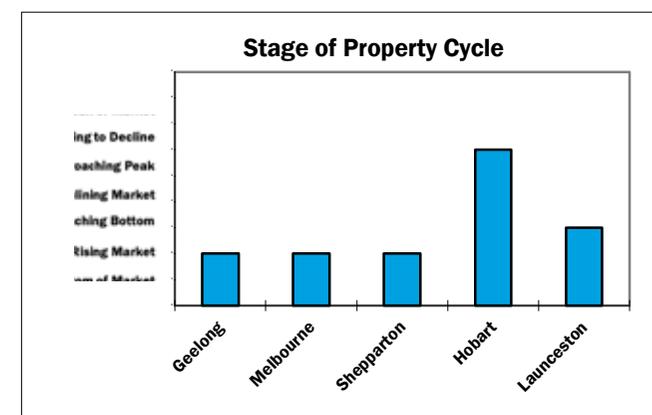
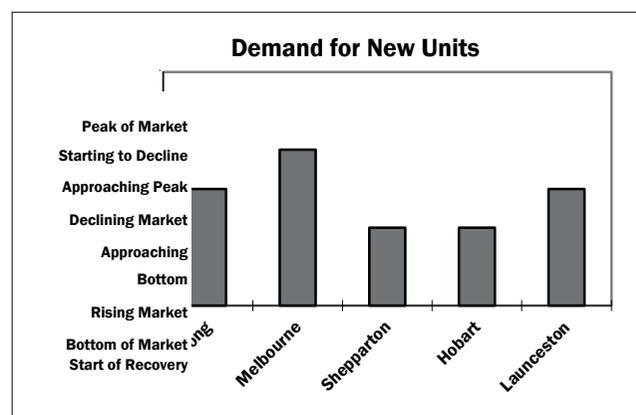
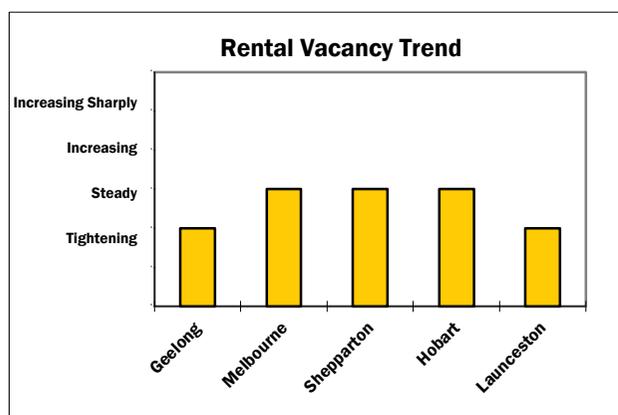


Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Steady
Demand for New Houses	Fair	Soft	Strong	Fair	Strong
Trend in New House Construction	Steady	Increasing	Steady	Steady	Steady
Volume of House Sales	Steady	Declining	Increasing	Steady	Steady
Stage of Property Cycle	Starting to decline	Bottom of market	Bottom of market	Rising market	Approaching peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Almost never	Almost never	Occasionally

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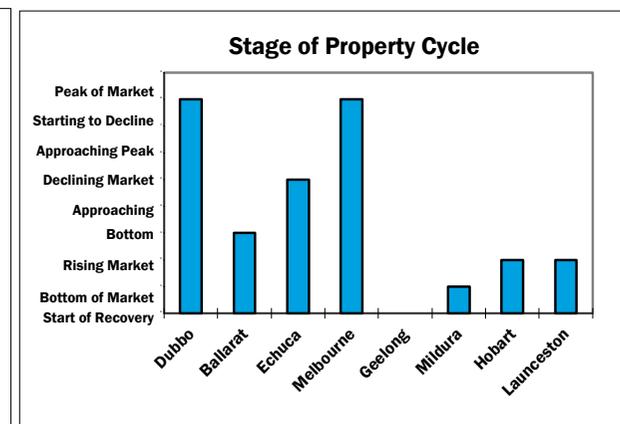
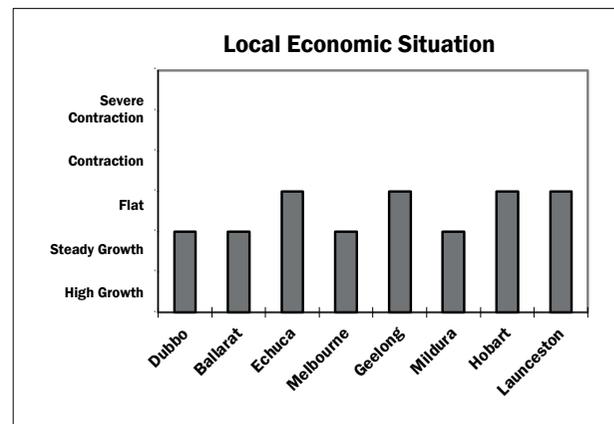
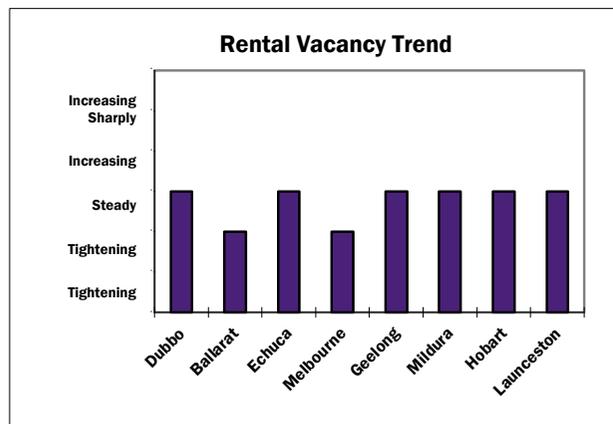


Victorian and Tasmanian Property Market Indicators – Offices

Factor	Dubbo	Ballarat	Echuca	Melbourne	Geelong	Mildura	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Houses	Stable	Increasing	Declining	Increasing	Stable	Stable	Declining	Declining
Trend in New House Construction	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady
Volume of House Sales	Peak of market	Rising market	Declining market	Peak of market	Approaching peak of market	Start of recovery	Bottom of market	Bottom of market
Stage of Property Cycle	Steady growth	Steady growth	Flat	Steady growth	Steady growth	Steady growth	Flat	Flat
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Large	Small	Small	Small	Significant	Significant	Significant	Significant

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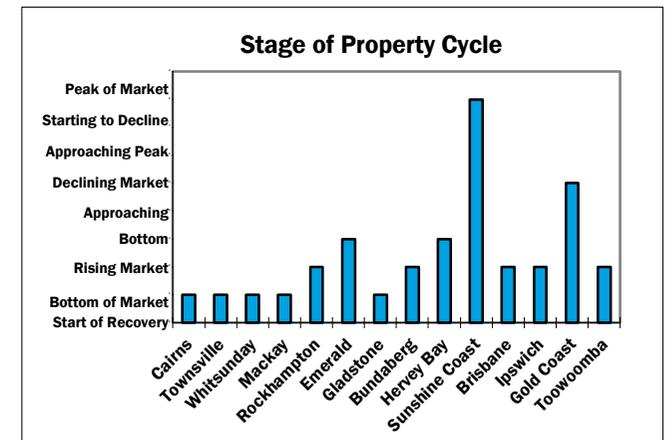
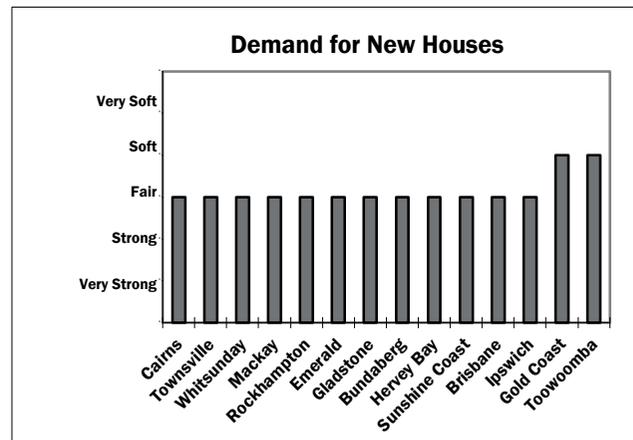
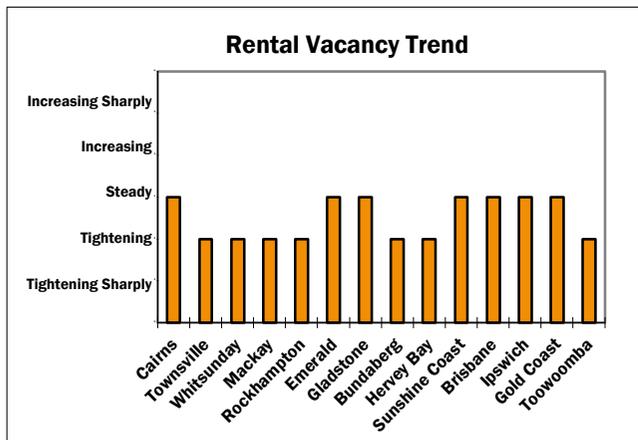


Queensland Property Market Indicators – Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand			
Rental Vacancy Trend	Steady	Tightening	Tightening	Tightening	Tightening	Steady	Steady	Tightening	Tightening	Steady	Steady	Steady	Steady	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Soft
Trend in New House Construction	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Increasing	Increasing	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Declining	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Start of recovery	Start of recovery	Bottom of market	Rising market	Start of recovery	Bottom of market	Rising market	Peak of market	Bottom of market	Bottom of market	Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Frequently	Occasionally	Frequently	Frequently

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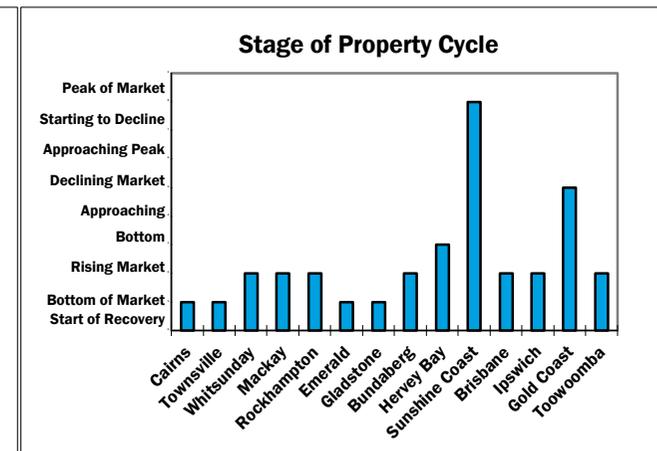
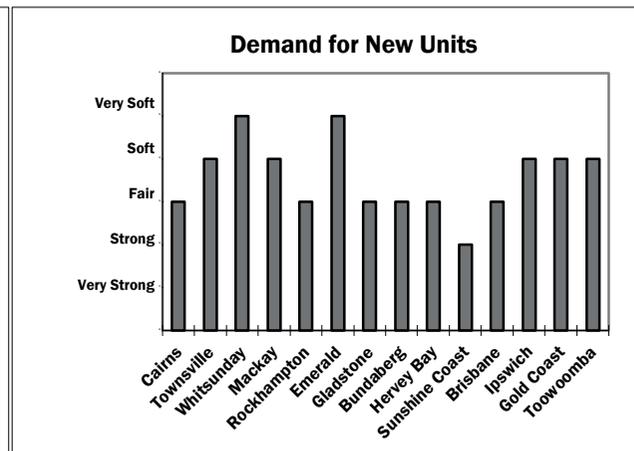
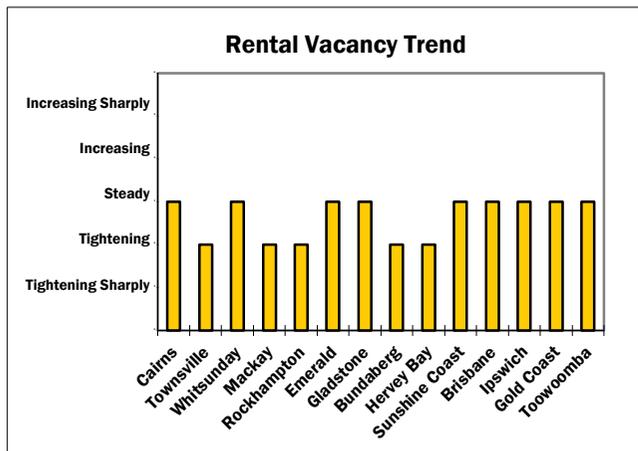


Queensland Property Market Indicators – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Tightening	Tightening	Steady	Steady	Tightening	Tightening	Steady	Steady	Steady	Steady	Steady
Demand for New Units	Fair	Soft	Very soft	Soft	Fair	Very soft	Fair	Fair	Fair	Strong	Fair	Soft	Soft	Soft
Trend in New Unit Construction	Steady	Steady	Declining significantly	Increasing	Steady	Increasing strongly	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Increasing
Volume of Unit Sales	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Declining	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Start of recovery	Bottom of market	Rising market	Peak of market	Bottom of market	Bottom of market	Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Very frequently	Very frequently	Frequently	Very frequently

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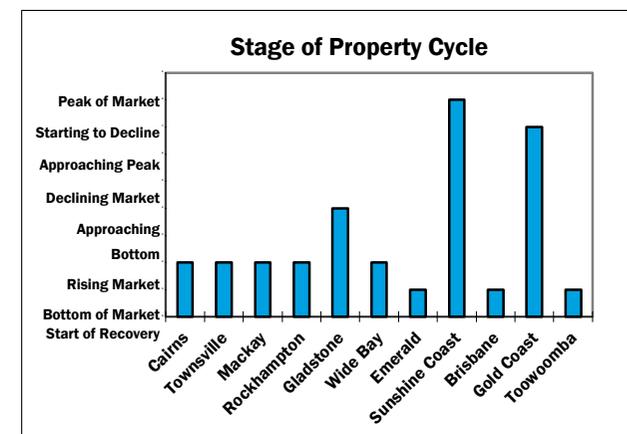
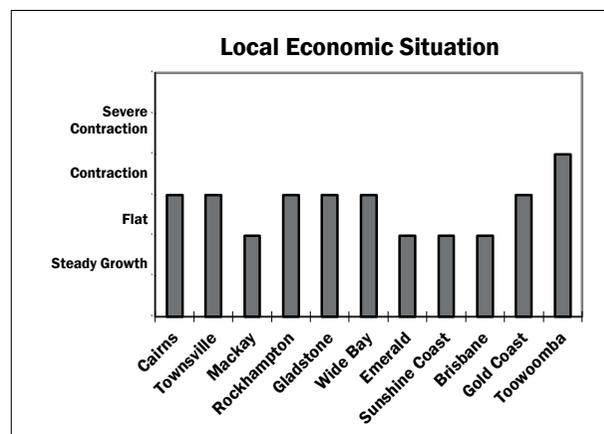
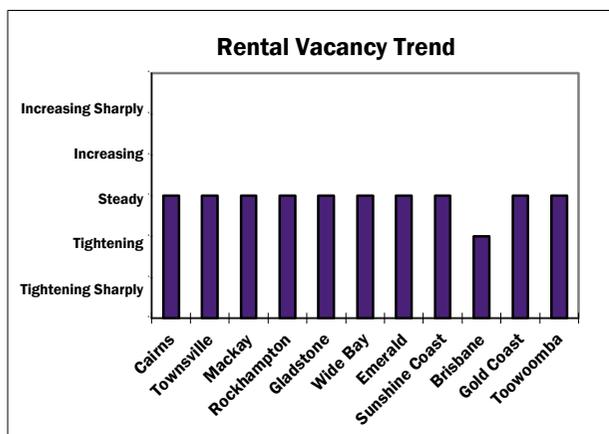


Queensland Property Market Indicators – Offices

Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Emerald	Wide Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Steady
Demand for New Units	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Stable
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Volume of Unit Sales	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Approaching bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Peak of market	Start of recovery	Start of recovery
Stage of Property Cycle	Flat	Flat	Steady growth	Flat	Flat	Flat	Flat	Flat	Steady growth	Steady growth	Steady growth	Flat
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Small	Significant	Significant	0	0	Significant	Significant	Significant	Small	Small	Significant	Large

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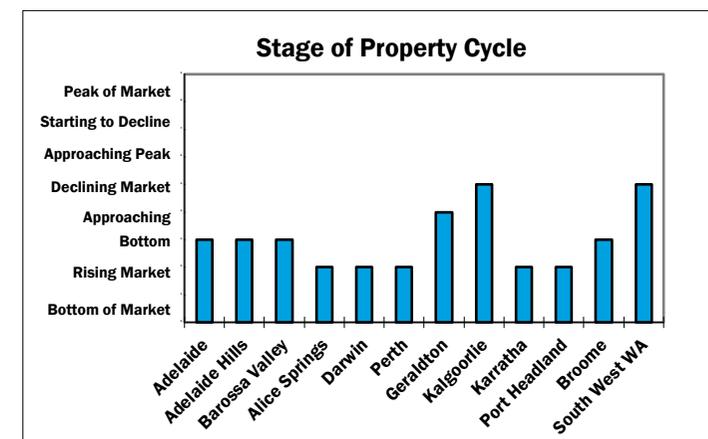
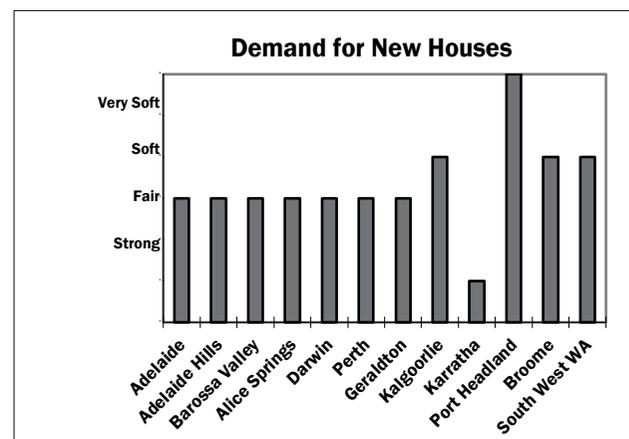
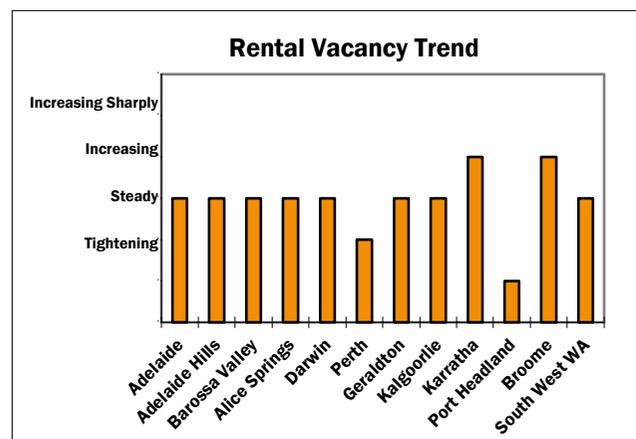


SA, NT and WA Property Market Indicators - Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Headland	Broome	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Increasing	Tightening	Tightening	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Soft
Trend in New House Construction	Steady	Declining significantly	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Rising market	Bottom of market	Bottom of market	Bottom of market	Approaching bottom of market	Declining market	Rising market	Start of recovery	Approaching bottom of market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Almost never	Almost never	Almost never	Almost never	Almost never

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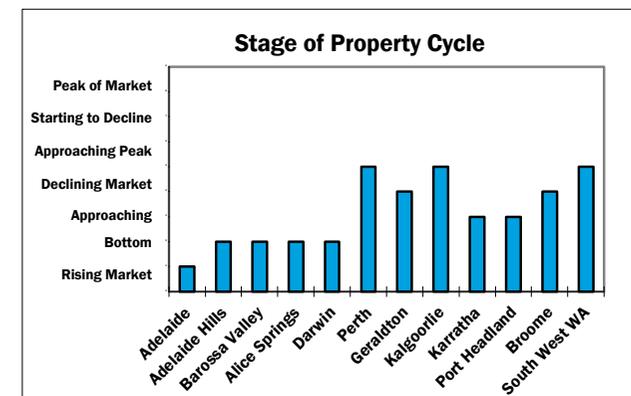
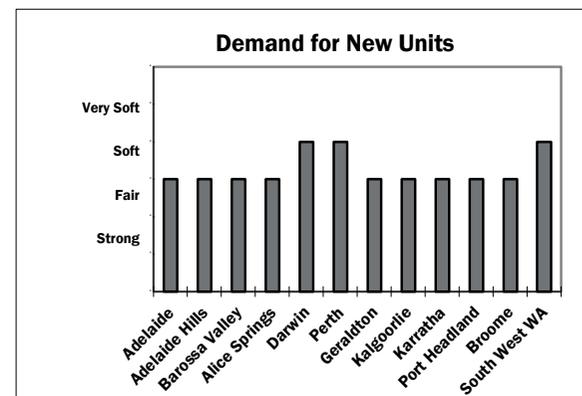
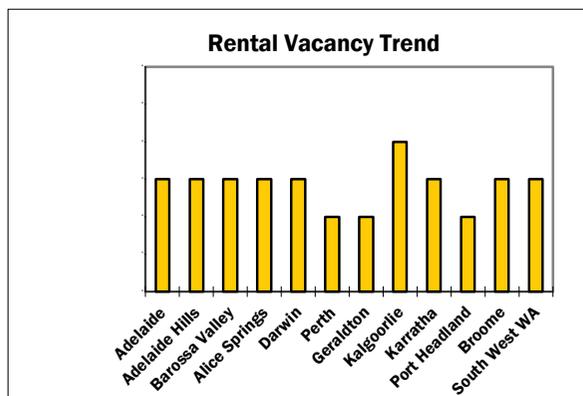


SA, NT and WA Property Market Indicators – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Headland	Broome	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Increasing	Steady	Tightening	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Soft	Fair	Fair	Fair	Fair	Fair	Soft
Trend in New House Construction	Steady	Increasing	Steady	Steady	Declining	Increasing	Steady	Steady	Increasing	Steady	Steady	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Declining	Declining	Increasing	Declining	Increasing strongly	Declining	Declining	Declining
Stage of Property Cycle	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Declining market	Approaching bottom of market	Declining market	Rising market	Start of recovery	Approaching bottom of market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Very frequently	Almost never	Almost never	7	Almost never	Almost never	Almost never

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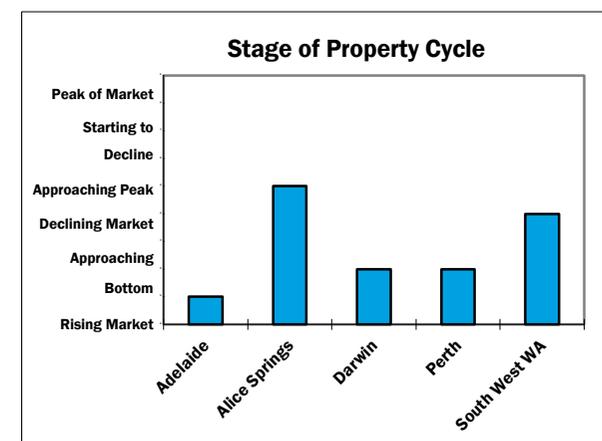
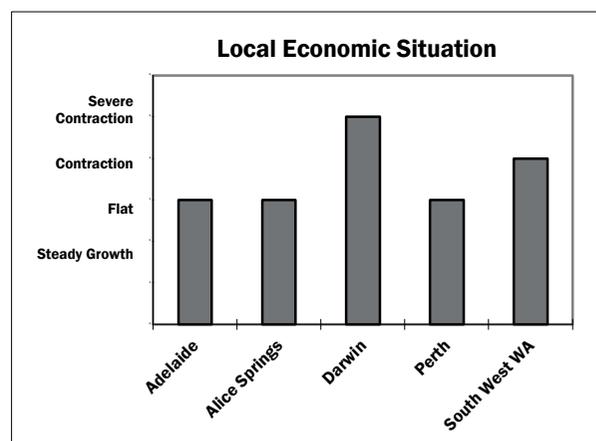
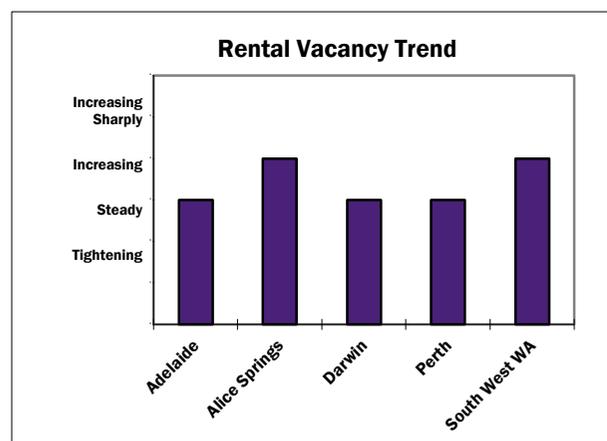


SA, NT and WA Property Market Indicators – Offices

Factor	Adelaide	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Over-supply of available property relative to demand				
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Increasing
Demand for New Units	Stable	Declining	Stable	Stable	Declining
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Declining
Volume of Unit Sales	Start of recovery	Declining market	Bottom of market	Bottom of market	Approaching bottom of market
Stage of Property Cycle	Flat	Flat	Severe contraction	Flat	Contraction
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Large	Small	Large	Large	Small

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